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KELLEY DRYE & WARREN
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INTERSTATE COMMERCE COMMISSION

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BY HAND INTERSTATE COMMERCE COMMISSION

9-222A006

Honorable Noretta R. McGee
Secretary
Interstate Commerce Commission
12th Street and Constitution Ave., N.W.
Washington, D.C. 20423

Re: Union Pacific Railroad Company
Locomotive Lease

Dear Ms. McGee:

Kelley Drye & Warren is acting as counsel to Union Pacific Railroad Company in connection with a leveraged lease financing of 50 Locomotives scheduled to be delivered on August 10, 1989.

Enclosed for filing and recordation under Section 11303 of Title 49 of the United States Code are four (4) executed original counterparts of the following documents:

1. Lease Agreement, a primary document, dated as of August 7, 1989 (the "Lease Agreement"), between SLUP LocoLease (One) Co., Ltd., a Japanese corporation (the "Lessor"), and Union Pacific Railroad Company, a Utah corporation (the "Lessee").
2. Lease Supplement, a secondary document, dated as of August 10, 1989 (the "Lease Supplement"), executed by the Lessor and the Lessee.
3. Lessee Security Agreement, a primary document, dated as of August 10, 1989 (the "Lessee Security Agreement"), between the Lessor and the Lessee.

You should be aware that the Lessor has not affixed a corporate seal to the foregoing documents because such seals

Personal file to Blair

KELLEY DRYE & WARREN

Interstate Commerce Commission -2-

August 10, 1989

are not generally required for Japanese corporations. We informed Kathleen King of the Secretary's Office who advised us that the absence of a seal on behalf of the Lessor would not preclude the valid filing and recordation of the enclosed documents.

The names and addresses of the parties to the foregoing documents are as follows:

Owner-Lessor-Mortgagor SLUP LocoLease (One) Co., Ltd. ✓
Kyowa Aoyama Building
10-43, Minami-Aoyama 3-chome
Minato-ku, Tokyo, Japan

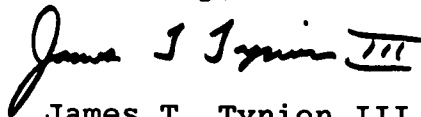
Lessee-Mortgagee Union Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179

The Lease Agreement and the Lease Supplement provide inter alia, for the lease by the Lessor to the Lessee of fifty (50) General Motors Corporation 60 Series diesel-electric locomotives with road numbers UP6129, UP6133, UP6135, UP6139, UP6142, UP6144, UP6146, UP6148, UP6151, UP6153, UP6160 - UP6183, inclusive, UP6185, UP6186, UP6188 - UP6191, inclusive, UP6193, UP6195, UP6197, UP6199, UP6202, UP6204, UP6206, and UP6213 - UP6215, inclusive (the "Locomotives"). The Lessee Security Agreement provide for the granting of a security interest in the Locomotives in favor of the Lessee in order to secure the Lessor's performance of certain obligations under the Lease Agreement and Lease Supplement. On or prior to the delivery of the Locomotives under the Lease Agreement or as soon as practicable thereafter, each of the Locomotives will bear the following marking:

"TITLE TO THIS LOCOMOTIVE IS HELD BY SLUP
LOCOLEASE (ONE) CO., LTD., THE LESSOR, WHICH
HAS LEASED THIS LOCOMOTIVE TO UNION PACIFIC
RAILROAD COMPANY"

I have also enclosed a check for \$39.00 to the order of the Interstate Commerce Commission to cover the fees associated with the filing and recordation of the enclosed documents. Please time and date stamp three counterparts of each of the enclosed documents along with the enclosed extra copy of this letter as proof of filing and recordation of the enclosed documents.

Sincerely,



James T. Tynion III
Counsel for Union
Pacific Railroad Company

JTT:jsd
Encs.

0779j

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REGISTRATION NO. _____ FILED 1425

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INTERSTATE COMMERCE COMMISSION

EXECUTION COPY

LEASE AGREEMENT

Dated as of August 7, 1989

between

SLUP LOCOLEASE (ONE) CO., LTD.
as Lessor

and

UNION PACIFIC RAILROAD COMPANY
as Lessee

Fifty (50) General Motors 60 Series Diesel-Electric Locomotives

Prepared by
ANDERSON, MORI & RABINOWITZ
AIU Building
1-3, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100, Japan
[03-214-1371]

0497j

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Schedule A Lease Supplement
Schedule AA List of Locomotives
Schedule B Rental

Exhibit 1	Basic Rent
Exhibit 2	Basic Termination Payment
Exhibit 3	Special Termination Payment (A)
Exhibit 4	Special Termination Payment (B)
Exhibit 5	Special Termination Payment (C)
Exhibit 6	End-of-Term Purchase Price
Exhibit 7	Deficiency Payment

LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of August 7, 1989.

BETWEEN:

(1) SLUP LOCOLEASE (ONE) CO., LTD., a corporation organized and existing under the laws of Japan with its registered office at Kyowa Aoyama Building, 10-43, Minami-Aoyama 3-chome, Minato-ku, Tokyo, Japan, (hereinafter referred to as the "Lessor"); and

(2) UNION PACIFIC RAILROAD COMPANY, a corporation organized and existing under the laws of the State of Utah, United States of America, with its principal place of business at 1416 Dodge Street, Omaha, Nebraska 68179, United States of America (hereinafter referred to as the "Lessee"),

WITNESSETH:

WHEREAS, the Lessor will acquire ownership of, and title to, the Locomotives (as hereinafter defined) pursuant to the Purchase Agreement (as hereinafter defined) and the Assignment Agreement (as hereinafter defined);

WHEREAS, the Lessor desires to lease to the Lessee, and the Lessee desires to lease from the Lessor, the Locomotives under this Agreement; and

WHEREAS, the Lessor and the Lessee agree that this Lease Agreement shall constitute and govern the lease of the Locomotives;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION.

1.1. Definitions. In this Agreement the following terms shall, when used with an initial capital letter, have the following meanings:

"Advance" means, with respect to each Delivery Date, the amount made available to the Lessor by the Lender on such Delivery Date pursuant to the Loan Agreement for the purpose of financing the Lessor's payment in respect of the Locomotives described in the Lease Supplement for such Delivery Date.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with, such Person.

"Assignment Agreement" means the Assignment Agreement between Lessee, as assignor, and Lessor, as assignee, including the Consent and Agreement annexed thereto, as such Assignment Agreement may hereafter be amended, modified or supplemented.

"Bank Security Agreement" means the security agreement, substantially in the form of Exhibit A to the Loan Agreement, to be entered into between the Lessor, as borrower, and the Lender, as lender, as such Bank Security Agreement may hereafter be amended, modified or supplemented.

"Basic Lease Term" means, with respect to each Locomotive, the period from and including the Delivery Date for such Locomotive and ending on and including the Final Rent Payment Date for such Locomotive.

"Basic Rent" means the rent in an amount as set forth with respect to the applicable Rent Payment Date in Schedule B, Exhibit 1 hereof as it may be amended or supplemented payable to the Lessor as required by the terms hereof.

"Basic Termination Payment" means an amount as set forth with respect to the applicable Rent Payment Date in Schedule B, Exhibit 2 hereof payable to the Lessor as required by the terms hereof.

"Business Day" means a day (other than a Saturday, Sunday or holiday scheduled by law) on which banks are open for foreign exchange business in London, England; New York, New York, U. S. A.; and Tokyo, Japan.

"Change of Tax Law" means any change in, deletion from or amendment to Japanese Tax Law.

"Claim" has the meaning assigned thereto in Section 16.1 hereof.

"Commitment Termination Date" means August 31, 1989, unless otherwise agreed in writing between the parties.

"Consent and Agreement" means the Consent and Agreement of the Manufacturer annexed to the Assignment Agreement, as such Consent and Agreement may hereafter be amended, modified or supplemented.

"Default" means an Event of Default or an event which, with the giving of notice or the lapse of time or both, would become an Event of Default.

"Deficiency Payment" means any deficiency payment in an amount as set forth in Schedule B, Exhibit 7 hereof payable to the Lessor as required by the terms hereof.

"Delivery Date" means a Business Day on which title to Locomotives is transferred to Lessor under the Purchase Agreement and the Assignment Agreement and the Lessor leases such Locomotives to the Lessee pursuant to this Agreement.

"Dollar" or "\$" means the lawful currency of the United States of America.

"Dollar Account" means the Dollar bank account of the Lessor maintained with the Lender (Current Account No. 303511-USD-0210-11) or such other account of the Lessor in Japan as may be agreed to in writing by the Lessor and the Lender and notified to the Lessee.

"End-of-Term Purchase Price" means the purchase price in the amount as set forth in Schedule B, Exhibit 6 hereof payable to the Lessor under Section 14 hereof upon the Lessee's exercise of its option thereunder to purchase the Locomotives at the expiration of the Basic Lease Term.

"Event of Default" means any of the events specified in Section 17.1.

"Event of Loss" means, with respect to any property, any of the following events with respect to such property: (i) loss of such property or the use thereof due to hijacking, theft, disappearance, destruction, or damage to an extent which (A) renders repair of such property impracticable or uneconomical or (B) renders such property permanently unfit for normal use for any reason whatsoever (in the case of hijacking, theft or disappearance, an Event of Loss shall be deemed to have occurred upon the expiration of a period of one hundred eighty (180) consecutive days during which the Lessee or the possessor of such property is continuously deprived of possession, control or use thereof); (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of an actual total loss or constructive total loss; (iii) the condemnation, confiscation, seizure or taking of, or requisition of title to, or use of such property (other than a requisition for use by the government of the United States except for a period continuing beyond the Lease Term); (iv) as a result of any rule, regulation, order or other action by any governmental body (including any court) the use of such property in the normal course of the Lessee's business shall have been prohibited for a period of twelve (12) consecutive months, unless the Lessee, prior to the expiration of such twelve month period, shall have undertaken and shall diligently be carrying forward all steps

which are necessary or desirable to permit the normal use of such property or shall have caused others to do so or, in any event, such use shall have been prohibited for a period of eighteen (18) consecutive months; and (v) any other case which by subsequent agreement the parties hereto may deem to be an "Event of Loss."

"First Rent Payment Date" means the date occurring six (6) months following a Delivery Date.

"Final Rent Payment Date" means the fourteenth (14th) anniversary of a Delivery Date.

"ICC" means the Interstate Commerce Commission and any agency or instrumentality of the United States Government succeeding to its functions.

"Indebtedness" of any Person means at any time, without duplication, (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, or arising under leases that are properly capitalized under generally accepted accounting principles applicable to such Person and (ii) all guarantees by such Person of such obligations of third parties as are described in clause (i) above.

"Indemnatee" has the meaning assigned thereto in Section 16.1 hereof.

"Japanese Tax Law" means Japanese national laws and local laws (jorei) and any regulations promulgated thereunder concerning taxation in Japan, any international agreement in respect thereof to which Japan is a party, any tax circulars or rulings (tsutatsu) issued by the Japanese tax authorities, any official written interpretations of the foregoing given by the Japanese tax authorities in their capacity as such, the understanding between the Japanese tax authorities and the Japan Leasing Association concerning leasing transactions the term of which is not more than 120% of the statutory useful life of the property leased, and such judgments of any court of Japan and decisions of the National Tax Tribunal as have general applicability.

"Kumiai-in" means any Person entering into a Tokumei Kumiai Agreement with the Lessor for the purposes of this Lease, the other Operative Documents, and the transactions contemplated hereby and thereby.

"Lease Agreement", "this Lease Agreement", "this Lease", "this Agreement", "herein", "hereunder", "hereby" or other like words mean this Lease Agreement including the Schedules and Exhibits hereto, as originally executed and as it may from time

to time be amended by the Lease Supplement or otherwise amended, modified or supplemented pursuant to the provisions hereof.

"Lease Supplement" means the Lease Supplement which shall be substantially in the form of Schedule A hereto, entered into between the Lessor and the Lessee pursuant to Sections 2.1 and 2.5 hereof as of each Delivery Date, including any amendment to the Lease Supplement and any subsequent Lease Supplement executed and delivered in connection with a Replacement Locomotive.

"Lease Term" means the period commencing on and including a Delivery Date and ending on and including the applicable Final Rent Payment Date or such other date as the leasing under this Lease is terminated in accordance with the provisions of this Lease.

"Lender" means National Westminster Bank PLC, acting through its branch office in Tokyo, Japan and its successors and permitted assigns.

"Lessee's Security Agreement" means the security agreement dated as of August 7, 1989 between the Lessor as owner and the Lessee as secured party.

"Lessor's Lien" means any Liens on or relating to or affecting any Locomotive or any part thereof arising as a result of (i) claims against or affecting the Lessor or any Affiliate thereof or any Kumiai-in, other than claims arising solely from the Lessor's participation in the transactions contemplated by this Lease and the other Operative Documents; (ii) acts or omissions of the Lessor or any Affiliate thereof or any Kumiai-in not expressly permitted under the terms of this Lease or any Operative Documents; (iii) Taxes imposed against the Lessor or any Affiliate thereof or any Kumiai-in which are not indemnified by the Lessee pursuant to this Lease; or (iv) claims against the Lessor or any Affiliate thereof or any Kumiai-in arising out of the voluntary transfer (other than pursuant to Sections 11, 13, 14 or 17 of this Lease or at the request of the Lessee) by the Lessor or by such Kumiai-in of its interest, if any, in the Locomotives or its rights under its Tokumei Kumiai Agreement with the Lessor.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, option, easement, claim, or other security interest of any kind (including any conditional sale or other title retention agreement).

"Loan Agreement" means the Loan Agreement to be entered into between the Lender and the Lessor with respect to the Locomotives, including all attachments thereto as originally

executed and delivered, as the same may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Locomotives" means (i) each individual General Motors 60 Series Diesel Electric Locomotive listed in Schedule AA hereof leased hereunder by the Lessor to the Lessee, including any Replacement Locomotive as contemplated by Section 11.1 but excluding any Locomotive purchased by the Lessee as contemplated by Section 11.2; and (ii) any and all Parts so long as the same shall be incorporated in, installed on or attached to such Locomotives, and any and all Parts removed from the Locomotives so long as title thereto and ownership thereof shall remain vested in the Lessor in accordance with the terms of Section 12.4 after removal from such Locomotives.

"Manufacturer" means General Motors Corporation (Electro-Motive Division), a company incorporated and existing under the laws of the State of Delaware, United States of America.

"Operative Document" means each of this Agreement, the Lease Supplement, the Loan Agreement, the Bank Security Agreement, the Purchase Agreement, the Assignment Agreement, the Lessee's Security Agreement and any other agreement entered into by or among the Lessor, the Lessee or the Lender (including any office, branch or Affiliate thereof) provided the Lessor and the Lessee consent thereto if not a party, relating to payments to be made or obligations under this Agreement or for the purpose of funding their respective obligations hereunder or under the transactions contemplated by this Agreement; and all documents, instruments and agreements required hereunder or thereunder including all schedules, exhibits and annexes thereto.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature which may from time to time be incorporated in, installed on or attached to the Locomotives, which remain the property of the Lessor pursuant to Section 12.4.

"Permitted Lien" has the meaning assigned thereto in Section 9.1.

"Person" means any individual, corporation, partnership, joint venture, association, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Purchase Agreement" means the Locomotive Proposal No. 886015/886023 executed by the Lessee and the Manufacturer with an acceptance date of August 2, 1989, incorporating by reference the Term Sheet and Reliability Guarantee dated as of

July 8, 1988 between the Manufacturer and the Lessee to the extent applicable to the Locomotives providing, among other things, for the manufacture and the sale by the Manufacturer to the Lessee of the Locomotives, as such Purchase Agreement has been amended, modified or supplemented to the date hereof.

"Purchase Price" means the Manufacturer's invoice amount with respect to each individual Locomotive and \$65,034,050 with respect to all fifty (50) Locomotives as set forth in Schedule AA.

"Rent" means Basic Rent and Supplemental Rent.

"Rent Payment Date" means firstly, a First Rent Payment Date and thereafter the last day of each succeeding six (6) month period and, lastly, a Final Rent Payment Date, all as set out in Schedule B to this Agreement as it may be amended or supplemented.

"Rent Payment Period" means each period commencing on a Delivery Date and ending on and including the applicable First Rent Payment Date and thereafter each period commencing on the day following a Rent Payment Date and ending on and including the next Rent Payment Date.

"Replacement Parts" has the meaning assigned thereto in Section 12.4 hereof.

"Replacement Locomotive" means such locomotive with a value and utility at least equal to any individual Locomotive, which the Lessee shall deliver to the Lessor in exercise of its choice to replace after an Event of Loss subject to the terms and conditions of Section 11.1 hereof.

"Required Alterations" has the meaning assigned thereto in Section 12.5(a) hereof.

"Special Termination Event" shall mean each of the following events:

(a) the breach by the Lessor of any representation, warranty or covenant contained in Section 8.1(b) or 8.3 (except Section 8.3(j)) hereof, which breach materially and adversely affects the Lessee's interest in the Lease or Lessee's quiet enjoyment of the Locomotives and continues unremedied for a period of 30 days after receipt by Lessor of written notice thereof from the Lessee to rectify the same; or

(b) the Lessor shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) file a voluntary petition in bankruptcy or a

voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against the Lessor in any such proceeding, or the Lessor shall by voluntary petition, answer or consent, seek relief under the provisions of any other bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors, (iii) make a general assignment for the benefit of creditors or (iv) consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property; or

(c) a petition against the Lessor in a proceeding under bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 120 days thereafter, or under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Lessor, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Lessor or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 120 days; or

(d) an order, judgment, or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Lessor, a receiver, trustee or liquidator of the Lessor, and any such order, judgment or decree of appointment shall remain in force undismissed, unstayed or unvacated for a period of 120 days after the date of entry thereof.

"Special Termination Payment (A)" means the amount as set forth with respect to the applicable Rent Payment Date in Schedule B, Exhibit 3 hereof as amended or supplemented payable to the Lessor as required by the terms hereof.

"Special Termination Payment (B)" means the amount as set forth with respect to the applicable Rent Payment Date in Schedule B, Exhibit 4 hereof as amended or supplemented payable to the Lessor as required by the terms hereof.

"Special Termination Payment (C)" means the amount as set forth with respect to the applicable Rent Payment Date in Schedule B, Exhibit 5 hereof as amended or supplemented payable to the Lessor as required by the terms hereof.

"Specified Loan Rate" means 8.95% per annum compounded semi-annually or such other rate as indicated in the Lease Supplement.

"Specified Yen Exchange Rate" means the rate specified as such in the Lease Supplement.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Basic Rent) which the Lessee assumes or agrees to pay under this Lease or any other Operative Document including, without limitation, the Basic Termination Payment, the Special Termination Payment (A), the Special Termination Payment (B), the Special Termination Payment (C), the End-of-Term Purchase Price, the Deficiency Payment, indemnity payments (including, without limitation, indemnity payments under Section 16 hereof) and interest on overdue payments, whether or not designated as a Supplemental Rent.

"Taxes" mean any and all taxes (including without limitation, gross receipts, sales, use, property, income, franchise, capital, occupational, license, value added, levies, imposts, excise and stamp taxes and customs and other duties), assessments, fees (including, without limitation, documentation, license, filing and registration fees) and charges, of any nature or kind whatsoever, together with any penalties, fines, additions to tax or interest thereon, however imposed, withheld, levied, or assessed by any country or governmental subdivision thereof or therein or any other taxing authority.

"Tax Ruling" means any tax ruling, tax assessment, notice, instruction, explanation, or any other determination by the Japanese tax authorities given to the Lessor.

"Termination Date" means (i) for purposes of Section 11.2 hereof, the 181st day following the occurrence of the Event of Loss, (ii) for purposes of Section 13 or Section 17 hereof, the date for this Lease to terminate in accordance with Section 13 or Section 17, respectively.

"Tokumei Kumiai Agreement" means each of the separate agreements entered into or to be entered into by Lessor, in its capacity as proprietor and manager of the investment made by its investors (or Kumiai-in) as such term is referred to in Articles 535 through 542 of the Commercial Code of Japan as the same may be amended, modified or supplemented from time to time.

"Treaty" means the Convention between Japan and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, as in force on July 9, 1972, as it may be amended, modified or supplemented from time to time.

"United States Government" means the government of the United States of America and any instrumentality, subdivision or agency thereof.

"United States Taxes" means any Taxes imposed, withheld, levied or assessed by any taxing authority of or in the United States of America or any political subdivision thereof.

"Voluntary Alteration" has the meaning assigned to it in Section 12.5(b) hereof.

"Yen" means the lawful currency of Japan.

"Yen Account" means the Yen bank account of the Lessor maintained with the Lender (Current Account No. 303511-JPY-0210-11) or such other account of the Lessor in Japan as is notified by the Lessor to the Lessee in writing.

1.2. Interpretation. The Schedules and Exhibits to this Agreement shall form an integral part hereof. Where the context permits, any reference to either of the Lessee, the Lessor or the Lender also includes their respective successors and permitted assigns and (where applicable) their servants and agents. Where the context permits, words importing the singular number only shall include the plural and vice versa, words importing any gender shall include all other genders and words importing persons shall include corporations, and vice versa. The headings or sub-headings of sections to this Agreement and the Table of Contents are inserted for convenience of reference only and shall not in any way affect the interpretation of this Agreement. The word "including" means "including but not limited to."

SECTION 2. AGREEMENT TO LEASE AND DELIVERY.

2.1. Lease of the Locomotives. Subject to the terms and conditions of this Agreement, the Purchase Agreement and the Assignment Agreement, the Lessor hereby agrees to lease to the Lessee hereunder, and the Lessee hereby agrees to lease from the Lessor hereunder, the Locomotives on one or more Delivery Dates. The Lessee shall confirm the lease of the Locomotives hereunder on a Delivery Date by executing and delivering to the Lessor a Lease Supplement on such Delivery Date. The Lessor shall execute a duplicate original of the Lease Supplement and deliver the same to the Lessee. The Lessee hereby agrees that the execution and delivery by the Lessee of a Lease Supplement shall, without further act, irrevocably constitute acceptance by the Lessee of each Locomotive as described in the Lease Supplement as of such Delivery Date. The right to lease the Locomotives conferred hereby shall include the use of all log

books and maintenance records for the Locomotives delivered pursuant to the Assignment Agreement and the Purchase Agreement and all other records, books, manuals, handbooks, data, drawings, schedules and other documentation relating to the Locomotives, provided that, throughout the Lease Term, title to the same shall remain with the Lessor.

2.2. Delivery Dates and Place of Delivery. The Delivery Date or Dates for the fifty (50) Locomotives to be leased hereunder shall be on or before the Commitment Termination Date, subject to the condition that not later than three (3) Business Days before any such Delivery Date (or such shorter period as Lessor agrees, such agreement to be evidenced by the execution and delivery of the Lease Supplement by the Lessor) the Lessor shall have received notice of the Delivery Date from the Lessee and an original of the Manufacturer's invoice or similar title document for the Locomotives to be delivered (including, if delivered by the Manufacturer, the bill(s) of sale) to the Lessor. The delivery of the Locomotives shall take place at such place in the State of Nebraska as the Locomotives are delivered pursuant to the Purchase Agreement.

2.3. Termination of Commitment. If any of the Locomotives shall not on or before the Commitment Termination Date have been purchased by the Lessor pursuant to the Purchase Agreement and Assignment Agreement or shall not have been accepted by the Lessee pursuant to this Lease for any reason other than a failure by the Lessor to satisfy a condition precedent required to be satisfied by it hereunder or under any other Operative Document or a default by the Lessor under the Assignment Agreement or Purchase Agreement, the Lessor may, at its option and without any liability therefor, by the giving of notice to the Lessee, terminate its commitment hereunder to Lessee to lease such Locomotives with no liability whatsoever to the Lessee or any other person, provided that such right of the Lessor shall be without prejudice to any other rights or remedies which the Lessor may have hereunder, at law, in equity or otherwise.

2.4. Inspection and Acceptance of the Locomotives. The Lessee acknowledges that it is the sole responsibility of the Lessee to inspect the Locomotives and to satisfy itself as to the condition, quality, suitability and fitness of the Locomotives for the Lessee's purposes before signing a Lease Supplement or taking delivery of Locomotives hereunder, and to examine and take delivery from the Manufacturer of the records and other documents set forth in Section 2.1 relating to the Locomotives on a Delivery Date, and to make arrangements for servicing of the Locomotives, and to obtain any conditions or warranties which the Lessee may require from the Manufacturer or other suppliers of the Locomotives or any part thereof, and the Lessee acknowledges and represents that it has done or will

have done so prior to accepting the delivery of the same under this Agreement. The Lessee shall not be entitled for any reason whatsoever to refuse to accept delivery of the Locomotives or any part thereof hereunder once the same have been accepted on each Delivery Date by the Lessee as Lessor's agent under the Purchase Agreement and the Assignment Agreement, and the Lessor shall not be liable for any damage or loss of any kind whatsoever resulting directly or indirectly from any defect in the Locomotives or any part thereof. The Lessor shall have no responsibility whatsoever to the Lessee or any other person for, or arising out of, any delay in the delivery or acceptance of the Locomotives or any part thereof or for any damage incurred in the course of delivery except when due to the delay, default or misconduct of the Lessor.

2.5 Lease Supplement. On each Delivery Date, simultaneously with the delivery of the relevant Locomotives to the Lessee, a duly authorized officer of the Lessee shall execute and deliver the Lease Supplement to the Lessor which shall be countersigned by a duly authorized officer of the Lessor. The Lessee hereby agrees that the execution and delivery of the Lease Supplement by the Lessee shall, without further act, constitute conclusive and irrevocable evidence that the Lessee has accepted the relevant Locomotives for all purposes of this Agreement, that as between the Lessor and Lessee each such Locomotive is satisfactory in all respects and that such Locomotive complies with the requirements of this Agreement.

2.6 Lessor's Interest. The Lessee acknowledges that the Lessor is and shall remain the "shoyusha" of, and has and shall retain "shoyuken" to, the Locomotives for purposes of and as such terms are used and interpreted under Japanese law throughout the Lease Term.

SECTION 3. LEASE TERM.

This Agreement shall become effective on the date first above written and the Lease Term for each Locomotive shall commence on the Delivery Date for such Locomotive and, unless earlier terminated in accordance with the provisions hereof, shall end on the Final Rent Payment Date for such Locomotive.

SECTION 4. RENT AND SUPPLEMENTAL RENT.

4.1. Basic Rent. The Lessee shall pay Basic Rent for the Locomotives for the relevant Lease Term, beginning on the relevant First Rent Payment Date, and on each succeeding Rent

Payment Date, in amounts computed as provided in Schedule B, Exhibit 1 hereto as it may be amended or supplemented.

4.2. Supplemental Rent. The Lessee shall pay any and all Supplemental Rent promptly as the same shall become due and owing.

SECTION 5. PAYMENTS.

5.1. Place and Manner of Payment. All amounts of Rent payable by the Lessee hereunder shall be paid by the Lessee to the Lessor in the currency designated for the payment of such amounts in Schedule B hereto, or in the case of other payments, as designated under the applicable provisions. All amounts of Basic Rent and Basic Termination Payment and End of Term Purchase Price or the Deficiency Payment (as the case may be) which are expressed to be paid in Dollars shall be paid to the Dollar Account. All other amounts payable hereunder by the Lessee shall be paid to the Yen Account, if such amounts are designated herein to be paid in Yen, or if such amounts are designated herein to be paid in a currency other than Yen or Dollars, to such account of the Lessor in Japan as the Lessor shall specify in writing to the Lessee. All payments of Rent shall be paid in immediately available funds. Except as expressly provided herein, the Lessee shall not prepay any Rent or any portion thereof without the prior written consent of the Lessor.

5.2. Late Payment. Without prejudice to any other rights or remedies of the Lessor, the Lessee hereby agrees and undertakes that in the event of default by the Lessee in the payment of any Rent due and payable hereunder it shall on demand pay to the Lessor interest thereon from and including the due date thereof (or, in the case of payment on demand, from the date of demand or, in the case of an indemnity or reimbursement, from the date on which the Lessor or other party paid the amount in respect of which they are being indemnified or reimbursed (provided prompt notice thereof as set forth in Section 16 is given to the Lessee) or otherwise from the date of such notice) to and including the date of actual payment thereof in full (after as well as before judgment), with respect to payments required to be made in Dollars, at the rate of 9.95% per annum and with respect to payments required to be made in Yen or any other currency, at a rate per annum which is equal to 1% over the rate quoted by the head office of the Industrial Bank of Japan on the due date of such amount to its prime customers in Japan with respect to Yen loans or such other currency loans for a term of one year or more, computed for the actual number of days elapsed on the basis of a year of 365 days.

5.3. Business Days. Whenever any payment hereunder is due on a day which is not a Business Day, the due date thereof shall be the immediately succeeding Business Day.

5.4. Net Lease. This Lease is a net lease. The Lessee's obligations to pay all Rent due hereunder shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation:

(a) any set-off, counterclaim, recoupment, suspension, deduction, defense or other right which the Lessee may have against the Lessor or any other person for any reason whatsoever;

(b) any defect in the merchantability, condition, design, operation, compliance with specifications or fitness for use of, or any damage to or loss or destruction of, the Locomotives or any part thereof for any reason whatsoever;

(c) any interruption or cessation in the use, operation or possession of the Locomotives by the Lessee for any reason whatsoever;

(d) any insolvency, bankruptcy, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar proceedings by or against the Lessee;

(e) any sublease, transfer or other acts permitted by the terms of Section 12.2 hereof; or

(f) any other circumstance or happening whatsoever whether or not similar to the foregoing.

The Lessee hereby waives, to the extent permitted by applicable law, any and all rights, powers, privileges, remedies or immunities which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit, surrender, amend, or modify this Agreement except in accordance with the express terms hereof. Except for a surrender upon the expiration or earlier termination of this Agreement in accordance with the express terms hereof, no surrender of the Locomotives to the Lessor shall be valid or effective unless and until agreed to and accepted in writing by a duly authorized officer of the Lessor, and no other act by the Lessor, or by any officer or agent of the Lessor, shall constitute an acceptance of any such surrender.

Each payment of any Rent made by the Lessee hereunder shall be final and not refundable as between the Lessor and the Lessee; provided, however, that nothing in this Section 5 shall be interpreted so as to limit the Lessee's right to claim

damages for a breach by the Lessor of any of its agreements, undertakings, representations or warranties contained in this Agreement.

SECTION 6. CONDITIONS PRECEDENT TO THE LESSOR'S OBLIGATIONS.

The obligation of the Lessor to lease the Locomotives to the Lessee is subject to the fulfillment, to the Lessor's satisfaction, or waiver by the Lessor, of the following conditions precedent and of the conditions precedent contained in the Loan Agreement, the Purchase Agreement and the Assignment Agreement.

6.1. Required Conditions. On each Delivery Date the following statements shall be true and correct:

(a) All representations and warranties of the Lessee set forth herein or in the Assignment Agreement are true and accurate on and as of such Delivery Date as though made on and as of such Delivery Date.

(b) No Default shall have occurred and continue to exist on such Delivery Date.

(c) All consents, licenses, authorizations or approvals of, or exemptions by, such governmental or other authorities as may be necessary to authorize the execution, delivery and performance of this Agreement, the Purchase Agreement and the other Operative Documents, and to permit payment and remittance of all payments to be made to the Lessor in such currency or currencies, at such times, at such places and in such manner as provided for under this Agreement, the Purchase Agreement and the other Operative Documents, shall have been obtained and certified copies delivered to the Lessor.

(d) No Event of Loss or an event which, with the passage of time, shall constitute an Event of Loss shall have occurred in respect of the Locomotives to be delivered on such Delivery Date on or prior to such Delivery Date.

(e) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that, in the reasonable opinion of the Lessor or its counsel, would make it illegal for the Lessor to purchase the Locomotives and lease them to the Lessee pursuant to the Purchase Agreement and this Lease.

(f) Title to and ownership of the Locomotives to be delivered on such Delivery Date has been conveyed to the

Lessor, and the Lessor has good and marketable title to, and ownership of, such Locomotives free and clear of Liens other than Permitted Liens.

(g) This Lease, the relevant Lease Supplement and the Lessee's Security Agreement have been duly filed with the ICC pursuant to 49 U.S.C. §11303.

(h) The Lender shall have made available to the Lessor the Advance pursuant to Clause 2.1 of the Loan Agreement.

(i) All of the conditions precedent to the Lender's obligations in Clause 6.1 of the Loan Agreement shall have been fulfilled to the satisfaction of or waived by the Lender.

(j) On or after the date of execution of this Lease Agreement and prior to the remittance of the Purchase Price by the Lessor under the Purchase Agreement on such Delivery Date, no Change of Tax Law has occurred, has been proposed or has become known for the first time by the public which, in the opinion of the Lessor's independent tax advisor in Japan, would render invalid any of the following assumptions regarding the tax treatment of the transactions contemplated by this Agreement and the other Operative Documents with the result that the economic benefits reasonably expected, on the basis of Japanese Tax Law in effect on the date of execution of this Lease Agreement, to be derived by the Lessor from such transactions with respect to the Locomotives would be materially diminished:

(i) The Lessor will constitute and will be treated as a separate tax-paying entity under and for the purposes of Japanese Tax Law; during each Rent Payment Period, Basic Rent will be treated as accruing as taxable income from day to day (even though not then payable) for the respective periods in which such Basic Rent accrues; the Basic Termination Payment, Special Termination Payment (A), Special Termination Payment (B) and Special Termination Payment (C) will be treated as taxable income of the Lessor in the Rent Payment Period in which the applicable Termination Date occurs; and any amount paid as an End-of-Term Purchase Price or Deficiency Payment will be treated as taxable income of the Lessor in the last Rent Payment Period of the Lease Term;

(ii) For purposes of Japanese Tax Law, the Lessor will be allowed deductions for:

(A) legal fees, accounting fees, the arranger's fee, transaction expenses, and the interest payable by the Lessor under the Loan Agreement, which shall be treated as deductible on an accrual basis in the tax period of the Lessor in which the same are incurred; and

(B) depreciation on the Locomotives, utilizing the declining balance method of depreciation based on the Purchase Price for the Locomotives and on a depreciable life of eleven (11) years, and commencing in the tax period of the Lessor in which the Delivery Date occurs with respect to the Locomotives to be delivered on such Delivery Date until the undepreciated portion of the Purchase Price is equal to 5% thereof and any remaining balance thereof will be allowed as a deduction upon the sale or other final disposition of the Locomotives to be delivered on such Delivery Date;

(iii) the net income or the net loss of the Lessor with respect to the transactions contemplated by the Operative Documents shall, for purposes of Japanese Tax Law, be passed through without withholding or deduction to each Kumiai-in in proportion to such Kumiai-in's interest in the business of the Tokumei Kumiai; and

(iv) at all times during the Lease Term for the Locomotives, the national and local income tax rates applicable to the Lessor will be as specified in the Japanese Tax Law effective on the date of execution of this Agreement and no value added tax, sales tax, consumption tax or other similar taxes other than those specified in the Japanese Tax Law effective on the date hereof will be imposed in Japan with respect to the transactions contemplated by the Operative Documents.

Provided, however, that: (1) in the event of such a Change of Tax Law the Lessor shall, upon prompt written notice thereof to the Lessee: (a) after good faith consultation with the Lessee, recalculate the amounts of Basic Rent, Basic Termination Payment, Special Termination Payment (A), Special Termination Payment (B), Special Termination Payment (C), End-of-Term Purchase Price and Deficiency Payment set forth in Schedule B hereto so as to preserve the Lessor's after-tax yield, applying the methods and assumptions that were used by the Lessor in originally calculating such amounts (as modified to give effect to such Change of Tax Law) and (b) provide the Lessee with a written statement of such recalculated amounts; and if the Lessee agrees in writing to pay such recalculated amounts, the condition precedent set forth in this subparagraph (j) shall be deemed to be satisfied; and (2) in the event that such Change of Tax Law shall indicate merely the possibility of the future diminution of the economic benefits of the Lessor, the Lessor shall promptly notify the Lessee thereof and consult with the Lessee in good faith with respect thereto; provided that, if the Lessee agrees in writing that in the event of and at the time such Change of Tax Law results in the diminution of such economic benefits: (a) the Lessor may recalculate the amounts referred to in subclause (1)(a) immediately above in

accordance with the methods and assumptions referred to therein and provide the Lessee with a written statement of such recalculated amounts and (b) the Lessee will pay the amounts listed in such written statement, then the condition precedent set forth in this subparagraph (j) shall be deemed to be satisfied.

6.2. Required Documents. On or before the initial Delivery Date, the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto, shall be in full force and effect and executed counterparts thereof shall have been delivered to the Lessor (except that with respect to subparagraph (b) below, the Lessor shall have received copies of the documents referenced therein certified by a duly authorized officer of the Lessee):

- (a) this Agreement;
- (b) the Purchase Agreement;
- (c) the Assignment Agreement;
- (d) the Consent and Agreement;
- (e) the Loan Agreement;
- (f) the Bank Security Agreement;
- (g) the Lease Supplement for the Locomotives to be delivered on the initial Delivery Date;
- (h) a copy of all other Operative Documents;
- (i) the following legal opinions in English, dated as of the initial Delivery Date:
 - (1) United States counsel to the Lessee in form and substance satisfactory to the Lessor,
 - (2) United States counsel to the Manufacturer in form and substance satisfactory to the Lessor, and
 - (3) Special Japanese counsel to the Lessee in form and substance satisfactory to the Lessor;
- (j) an opinion of the Lessor's independent tax advisor dated as of such Delivery Date, in form and substance satisfactory to the Lessor, relating to the tax treatment of the transactions contemplated hereby, under the Purchase Agreement and under any of the Operative Documents under Japanese Tax Law as in effect on the date hereof;

(k) full warranty bills of sale for the Locomotives to be delivered on such Delivery Date dated as of such Delivery Date executed by the Manufacturer in favor of the Lessor in accordance with the Purchase Agreement, the Assignment Agreement and the Consent and Agreement;

(l) Manufacturer's invoices for the Locomotives delivered on such Delivery Date specifying the Purchase Price for each Locomotive in an amount equal to the Purchase Price set forth in Schedule AA and the aggregate Purchase Price for all of the Locomotives to be delivered on such Delivery Date;

(m) a receipt from the Manufacturer dated such Delivery Date and addressed to the Lessor, acknowledging receipt by the Manufacturer of the funds paid by the Lessor as the Purchase Price of all the Locomotives;

(n) certified copies of the resolutions which were duly adopted by the Lessee authorizing the lease by the Lessee of the Locomotives to be delivered on such Delivery Date under this Agreement and the execution, delivery and performance by the Lessee of this Agreement and the Operative Documents to which it is a party and each other document required to be executed and delivered by the Lessee in accordance with the provisions hereof or thereof, together with a power of attorney or incumbency certificate as to the person or persons authorized to execute and deliver such documents on behalf of the Lessee;

(o) copies of the Restated Articles of Association and by-laws of the Lessee certified by a duly authorized officer of the Lessee;

(p) an appraisal certificate of the fair market value of each of the Locomotives as of the commencement and end of the Basic Lease Term from an independent appraiser;

(q) a certificate of the Lessee and certificates of insurance, in each case in form and substance satisfactory to the Lessor, describing and evidencing compliance with the terms of Section 10 of the Lease;

(r) a copy, certified by a duly authorized officer of the Lessee, of (i) the Lessee's consolidated group annual report on Form 10-K filed with the United States Securities and Exchange Commission for the Lessee's most recently completed fiscal year (the "Form 10-K") and (ii) the Lessee's consolidated group quarterly report on Form 10-Q filed with the United States Securities and Exchange Commission for the fiscal quarter ended March 31, 1989;

(s) written acceptance by the Far East Sales Manager of Union Pacific Railroad Company, Tokyo Office, of his appointment as Lessee's process agent in Japan pursuant to Section 24.2 hereof;

(t) a certificate as to the Lessee with respect to the matters referred to in Section 6.1 (a), (b) and (c) hereof, dated as of such Delivery Date and signed by a duly authorized officer of the Lessee; and

(u) such other documents, agreements, certificates and instruments and such evidence with respect to the Lessee and the manufacturer as the Lessor or their special counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement and the other Operative Documents, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth.

6.3 Required Documents on Subsequent Delivery. On or before a subsequent Delivery Date, the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto, shall be in full force and effect and executed counter-parts thereof shall have been delivered to the Lessor:

(a) the Lease Supplement for the Locomotives to be delivered on such Delivery Date;

(b) full warranty bills of sale for the Locomotives to be delivered on such Delivery Date dated as of such Delivery Date executed by the Manufacturer in favor of the Lessor in accordance with the Purchase Agreement, the Assignment Agreement and the Consent and Agreement;

(c) Manufacturer's invoices for the Locomotives delivered on such Delivery Date specifying the Purchase Price for each Locomotive in an amount equal to the Purchase Price set forth in Schedule AA and the aggregate Purchase Price for all the Locomotives to be delivered on such Delivery Date;

(d) a receipt from the Manufacturer dated such Delivery Date and addressed to the Lessor, acknowledging receipt by the Manufacturer of the funds paid by the Lessor as the Purchase Price of all the Locomotives; and

(e) written confirmations, each dated as of such Delivery Date, in respect of the opinions referred to in Sections 6.2(i) and (j), certifying that such opinions are true and correct on such Delivery Date.

SECTION 7. CONDITIONS PRECEDENT TO THE LESSEE'S OBLIGATIONS.

The obligation of the Lessee to lease the Locomotives from the Lessor on each Delivery Date is subject to the fulfillment to the Lessee's satisfaction, or waiver by the Lessee, of the following conditions precedent.

7.1. Required Conditions. On such Delivery Date, the following statements shall be true and correct:

(a) All representations and warranties of the Lessor set forth herein or in the other Operative Documents to which the Lessor is a party are true and accurate on and as of each Delivery Date as though made on and as of such Delivery Date.

(b) All consents, licenses, authorizations or approvals of or exemptions by, such governmental or other authorities as may be necessary to authorize the execution, delivery and performance of this Agreement and the other Operative Documents, and to permit payment and remittance of all payments to be made to the Manufacturer or the Lessee in such currency or currencies, at such times, at such places and in such manner as provided for under this Agreement or any other Operative Document, shall have been obtained and delivered to the Lessee.

(c) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that, in the reasonable opinion of the Lessee or its counsel, would make it illegal for the Lessee to lease the Locomotives from the Lessor pursuant to this Lease.

7.2. Required Documents. On or before the initial Delivery Date, the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto, shall be in full force and effect and executed counterparts thereof shall have been delivered to the Lessee:

- (a) this Agreement;
- (b) the Purchase Agreement;
- (c) the Assignment Agreement;
- (d) the Consent and Agreement;
- (e) the Lease Supplement to be delivered on the initial Delivery Date;
- (f) the Lessee's Security Agreement;

(g) a copy of all other Operative Documents;

(h) a copy of the Lessor's tax advisor's opinion referred to in Section 6.2(j);

(i) the legal opinion in English of special Japanese counsel to the Lessor in form and substance satisfactory to the Lessee and dated as of the Delivery Date;

(j) a certified copy of the Commercial Register of Japan evidencing the persons authorized to sign on behalf of the Lessor and, if this Agreement and the other Operative Documents to which the Lessor is a party are not executed by a person whose authorization is so registered, power(s) of attorney as to the person or persons authorized to execute and deliver such documents on behalf of the Lessor;

(k) the resolutions of the board of directors of the Lessor certified as of or immediately prior to such Delivery Date by a duly authorized officer of the Lessor (or its attorney-in-fact), duly authorizing the lease by the Lessor of the Locomotives under the Lease and the execution and delivery of the Operative Documents to which it is a party and a copy of the Articles of Incorporation of the Lessor, certified as of or immediately prior to such Delivery Date by a duly authorized officer of the Lessor (or its attorneys-in-fact), together with all amendments and supplements thereto; and

(l) a certificate signed by a duly authorized officer of the Lessor, dated such Delivery Date certifying as to the correctness of each of the matters stated in paragraphs (a) and (b) of Section 7.1 hereof.

7.3 Required Documents on Subsequent Delivery. On or before a subsequent Delivery Date, the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto, shall be in full force and effect and executed counterparts thereof shall have been delivered to the Lessee:

(a) the Lease Supplement for the Locomotive to be delivered on such Delivery Date;

(b) written confirmation dated as of such Delivery Date in respect of the opinion referred to in Sections 7.2(i), certifying that such opinion is true and correct on such Delivery Date.

(c) a copy of the written confirmation delivered by Lessor's independent tax adviser to the Lessor pursuant to Section 6.3(d).

SECTION 8. CERTAIN DISCLAIMERS, REPRESENTATIONS, WARRANTIES AND COVENANTS.

8.1. Lessor's Disclaimers; Quiet Enjoyment; Lessor's Liens.

(a) THE LESSOR NEITHER MAKES NOR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS OR FITNESS FOR USE OF THE LOCOMOTIVES OR ANY PART THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE LOCOMOTIVES OR ANY PART THEREOF, except that the Lessor warrants that on each Delivery Date each Locomotive to be delivered on such date shall be free of Lessor's Liens. Except with respect to the express warranties, representations and obligations of the Lessor hereunder, the Lessor shall not have any responsibility or liability to the Lessee or any other person, other than to the extent caused by the gross negligence or willful misconduct of the Lessor, with respect to (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by the Locomotives or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith, (ii) the use, operation or performance of the Locomotives or any risks relating thereto, (iii) any interruption of service, loss of business or anticipated profits or consequential damages, or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of the Locomotives.

(b) Subject to Section 8.1(c) hereof, the Lessor hereby represents, warrants and covenants that, so long as no Default (in connection with an event specified in Section 17.1(1) or (m)) or an Event of Default (in connection with other events specified in Section 17.1) shall have occurred and be continuing, (i) neither the Lessor nor any Kumiai-in shall disturb or interfere with the Lessee's quiet, peaceful use and enjoyment of the Locomotives during the Lease Term, (ii) the Locomotives shall at all times be free of Lessor's Liens and (iii) the Lessor shall not transfer all or any portion of its interest in the Locomotives, other than with the prior written consent of Lessee (which consent shall not be unreasonably withheld) or as permitted or contemplated pursuant to this Lease or any other Operative Documents. The Lessor will promptly, at its own expense, take such action as may be necessary to discharge any Lessor's Lien with respect to the Locomotives, title thereto or any interest therein or in this Lease if the same shall arise at any time.

(c) The Lessor shall not be liable to the Lessee or any other person for any interruption or disturbance to the Lessee's or such other person's quiet, peaceful use or

continued enjoyment of the Locomotives or any Part thereof as a result of any defect in the Lessor's ownership of, or title to, the Locomotives or any Part thereof existing prior to the time the same were conveyed to it under the Assignment Agreement and the Purchase Agreement.

8.2. Lessee's Representations, Warranties and Covenants. The Lessee hereby represents, warrants and covenants to the Lessor that:

(a) the Lessee is a corporation duly organized and validly existing and in good standing under the laws of the State of Utah, United States of America and has all requisite power and authority to execute and deliver and to perform its obligations under this Agreement and the other Operative Documents to which it is a party and to own its properties and to conduct its business as presently conducted;

(b) the execution and delivery of this Agreement and any other Operative Document to which the Lessee is a party and compliance by the Lessee with the terms hereof and thereof:

- (i) do not require any approval or consent of any trustee or holders of any material indebtedness or obligations of the Lessee or any of its Affiliates;
- (ii) do not and will not infringe any provision of the laws of the State of Utah or the United States of America and are in accordance with the Restated Articles of Association and the by-laws (or similar constitutional documents) of the Lessee; and
- (iii) do not and will not infringe the terms of, or constitute a default under, any material trust deed, agreement or other instrument or obligation to which the Lessee is a party or by which it is bound and do not, and will not, contravene any applicable law, rule, regulation, judgment, order or decree currently in force of any governmental instrumentality, arbitrator or court binding on the Lessee or its assets;

(c) the execution and the delivery by the Lessee of this Agreement and any other Operative Document to which it is a party and the performance of the obligations to be assumed hereunder and thereunder have been duly authorized by the Lessee and the same, upon due execution and delivery by all parties hereto and thereto, will constitute valid and legally binding obligations of the Lessee enforceable in accordance with the terms hereof and thereof except to the extent that enforcement may be limited by equitable principles and

applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally;

(d) except as set forth in the Form 10-K, there are no pending or, to the knowledge of the Lessee, threatened actions or proceedings before any court, governmental or administrative agency or arbitral body, which actions or proceedings could have a material and adverse effect on the financial condition, business or operations of the Lessee or which would materially impair the ability of the Lessee to perform its obligations under this Agreement or any other Operative Document to which it is a party;

(e) neither the execution and delivery by the Lessee of, nor the performance by the Lessee of its obligations under, nor the consummation by the Lessee of the transactions contemplated in, this Agreement and the other Operative Documents to which the Lessee is a party, requires the authorization or approval from, consent of, notice to or filing, registration or qualification with or the taking of any other action in respect of, the Department of Transportation, the ICC or any other governmental or public body or authority of the United States of America or of any of the states thereof or the District of Columbia;

(f) except as set forth in paragraph (g) below, no action, including any filing or recording of any document, is necessary in the United States of America or any of the states thereof or the District of Columbia in order to establish and perfect the Lessor's title to the Locomotive as against any party;

(g) the Lease, the Lease Supplement and the Lessee's Security Agreement have been duly filed with the ICC pursuant to 49 U.S.C. §11303 and such filing with the ICC pursuant to 49 U.S.C. §11303 will, absent any action by the Lessor not permitted or contemplated by the Operative Documents, protect the Lessor's rights in such agreements and in the Locomotives, and no other filing, recording or deposit with, or giving of notice to, any other federal, state or local government or agency thereof is necessary in order to protect the rights of the Lessor in such agreements or in the Locomotives in the United States or any state thereof or the District of Columbia, and the Lessee shall commit no act, and shall suffer no act to be committed by any third party under its control, which is inconsistent with, or could result in the loss of, the Lessor's interest in the Locomotives;

(h) the audited consolidated balance sheet of the Lessee's parent company as of the most recent fiscal year preceding the date of this Agreement and the consolidated statements of income and retained earnings and cash flows for the fiscal year then-ended, which have been delivered to the Lessor, and the

consolidated balance sheet of the Lessee as of the fiscal quarter ended March 31, 1989 and the consolidated statements of income and cash flows for such period fairly present the financial position of the Lessee as at such date and the results of its operations for the period ended on such date, all in accordance with generally accepted accounting principles in the United States of America applied on a consistent basis, and from the date of such audited balance sheet, there has been no material adverse change in such position or in the results of operations of the Lessee, and nothing has occurred which would materially adversely affect the ability of the Lessee to perform its obligations under this Agreement or any other Operative Document to which it is a party; and

(i) the Lessee is not, and subsequent to the date hereof throughout the term of this Agreement will not become, a party to any agreement or instrument or subject to any legal restriction which would cause any Rent and other payments to the Lessor due hereunder to be or become subordinated to claims against the Lessee of general and unsecured creditors, except as may be the result of or arise from a mandatory preference by operation of law.

8.3. Lessor's Representations, Warranties and Covenants. The Lessor hereby represents, warrants and covenants to the Lessee that:

(a) The Lessor is a corporation duly organized and validly existing and in good standing under the laws of Japan and has all requisite power and authority to execute and deliver, and to perform all of its obligations under, this Agreement, the Tokumei Kumiai Agreement and any other Operative Documents to which it is a party and to own its properties and to conduct its business as presently conducted;

(b) the execution and delivery of this Agreement and any other Operative Document to which the Lessor is a party and compliance by the Lessor with the terms hereof and thereof:

- (i) do not require any approval or consent of any Kumiai-in, trustee or holders of indebtedness or obligations of the Lessor or any of its Affiliates;
- (ii) do not and will not infringe any provision of the laws of Japan and are in accordance with the Articles of Incorporation and the by-laws (or similar constitutional documents) of the Lessor; and
- (iii) do not and will not infringe the terms of, or constitute a default under any Tokumei Kumiai Agreement, any trust deed, agreement or other instrument or obligation to which the Lessor is a

party or by which it is bound and do not, and will not, contravene any applicable law, rule, regulation, judgment, order or decree currently in force of any governmental instrumentality, arbitrator or court binding on the Lessor or its assets;

(c) the execution and the delivery by the Lessor of this Agreement and any other Operative Document to which it is a party and the performance of the obligations to be assumed hereunder and thereunder have been duly authorized by the Lessor and the same, upon due execution and delivery by all parties hereto and thereto, will constitute valid and legally binding obligations of the Lessor enforceable in accordance with the terms hereof and thereof except to the extent that enforcement may be limited by equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally;

(d) on each Delivery Date, the Lessor will have whatever title to the Locomotives as was conveyed to it by the Manufacturer;

(e) neither the execution and delivery nor the performance by the Lessor of this Agreement or any other Operative Document to which it is a party, and neither the execution and delivery nor the performance by the Lessee of this Agreement or any Operative Document requires any consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any governmental authority or agency in Japan;

(f) the Lessor is not a party to any agreement or instrument or subject to any restriction in its Articles of Incorporation or other corporate restriction which individually or in the aggregate are likely to materially and adversely affect its ability to perform its obligations under this Agreement or any other Operative Document to which it is a party;

(g) there are no pending or, to the knowledge of the Lessor, threatened actions or proceedings before any court, governmental or administrative agency or arbitral body, which actions or proceedings could have a material and adverse effect on the financial condition, business or operations of the Lessor or which could materially impair the ability of the Lessor to perform its obligations under this Agreement or any other Operative Document to which it is a party;

(h) the Lessor has not granted to any Kumiai-in any interest in the Locomotives;

(i) except as may be otherwise required by law, the Lessor is, and will continue to be, a wholly-owned direct subsidiary of Showa Leasing Co., Ltd. and will limit its business to the transactions contemplated by the Operative Documents or the leasing of locomotives, where the Lessee is the lessee of the locomotives being leased for the duration of the Lease Term; and

(j) with respect to the Lessor and each Kumiai-in:

(i) the Lessor and each Kumiai-in does not, and will not during the Lease Term: receive deposits of money from the public; unless it is a financing company, make personal, mortgage, industrial, commercial, consumer or other loans to the public; purchase, sell, discount or negotiate for the public on a regular basis notes, drafts, checks, bills of exchange, acceptances or other evidences of indebtedness; issue letters of credit to the public; provide trust services or exercise fiduciary powers for the public; finance foreign exchange transactions for the public; or purchase securities from an issuer or holder with a view to public distribution, or offer or sell any such securities in connection with a public distribution; and it is not, and will not be, during the Lease Term, subject to supervision or examination by any governmental authority in Japan or any other jurisdiction that supervises or examines banks or trust companies or licensed to do business as a bank or trust company in Japan or any other jurisdiction;

(ii) the Lessor and each Kumiai-in are not, and will not be, throughout the Lease Term, a 10% shareholder (within the meaning of section 871(h)(3)(B) and (C) or section 881(c)(3)(B) of the United States Internal Revenue Code of 1986, as amended) of the Lessee;

(iii) the Lessor will hold this Agreement and all other Operative Documents pursuant to which the Lessor shall or may receive payments in Japan and each Kumiai-in will hold its respective Tokumei Kumiai Agreement in Japan, and the Lessor and each Kumiai-in will record on the books and records of an office in Japan (and not on the books and records of any office of such Person located elsewhere) any assets, liabilities, income, gain and expense arising from the transactions contemplated by the Operative Documents to which it is a party or the respective Tokumei Kumiai Agreements;

(iv) upon the specific request and instructions of the Lessee in writing made on a timely basis and reasonably required to evidence the Lessor's or each Kumiai-in's entitlement to exemption from or a reduced

rate of the United States Federal income tax under the United States Internal Revenue Code of 1986, as amended, or the Treaty, the Lessor will (i) obtain from each Kumiai-in signed copies of Internal Revenue Service Form 1001 or Form W-8 furnished by the Lessee to the Lessor (or such alternate form as is required or permitted by the Internal Revenue Service) ("Withholding Forms"), (ii) deliver to the Lessee executed copies of all such Withholding Forms prior to any payment required to be made hereunder or any other Operative Document and (iii) promptly notify the Lessee if Lessor receives notice from any Kumiai-in of changes in any information on any Withholding Form;

(v) the Lessor will establish and maintain a register on which the interests of each Kumiai-in in the Tokumei Kumiai Agreement shall be recorded and which identifies the Kumiai-in. No transfer of any interest of any Kumiai-in shall be effective unless and until such transfer is recorded in such register. Prior to the registration of any transferee in such register as a "Kumiai-in," the Lessee and the Lessor shall treat the registered owner as reflected on such register as the absolute owner of such interest and such purported transferee shall have no rights against the Lessor or the Lessee nor shall either the Lessor or the Lessee have any obligation of any kind to such purported transferee. No additional Kumiai-in will be permitted unless such Kumiai-in's interest is duly recorded on such register, and the Lessor will provide a copy of the register to the Lessee prior to the initial payment required hereunder. The Lessor will promptly notify the Lessee of entries or changes made on such register;

(vi) the Lessor and each Kumiai-in is, and shall continue to be, throughout the Lease Term, a "resident of Japan" and will not be a "U.S. Person" within the meaning of the Treaty;

(vii) the Tokumei Kumiai Agreement entered into by Lessor with each Kumiai-in is and will be the only agreement, contract or understanding, relating to, providing for or concerning the investment made by the Kumiai-in in connection with this Lease;

(viii) each Tokumei Kumiai Agreement creates a valid tokumei kumiai relationship as referred to in Articles 535 through 542 of the Japanese Commercial Code and constitutes the legal, valid and binding obligations of the respective parties thereto;

(ix) each Tokumei Kumiai Agreement contains provisions in which the Kumiai-in expressly acknowledge that they have no interest in the Locomotives without any exception;

(x) no Kumiai-in may transfer, assign or otherwise alienate such Kumiai-in's rights under the Tokumei Kumiai Agreement or its interest in the business contemplated thereunder (except for monetary claims arising from the winding up of Lessor's business relating to this Lease);

(xi) each Tokumei Kumiai Agreement contains provisions requiring each Kumiai-in to provide to the Lessor completed and signed copies of Internal Revenue Service Form 1001 and Form W-8 (or such alternate form as is required or permitted by the Internal Revenue Service), at the request of the Lessor, and to report any changes in the information pertaining to such Kumiai-in contained in such forms within 30 days of the occurrence of such change.

(xii) the terms of the separate Tokumei Kumiai Agreements between each Kumiai-in and the Lessor will not, until the later of the termination of the Lease or the date on which all obligations owed by the Lessor to the Lessee under the Operative Documents are satisfied and discharged, be changed without the Lessee's written consent, which consent shall not be unreasonably withheld, if such change would cause any of the representations, warranties or covenants contained in this Section 8.3 to be incorrect or violated immediately following such change.

The only result of a violation, inaccuracy or breach of any of the representations, warranties and covenants contained in this Section 8.3(j) shall be that the Lessee shall have no indemnity liability to any Indemnitee under Section 16 with respect to Taxes imposed by the United States to the extent such Taxes exceed the amount of taxes which would have been imposed in the United States had there been no such violation, inaccuracy or breach.

The Lessee further acknowledges that with respect to the covenant of the Lessor in Section 8.3(j)(iv) and (v) above, the Lessor is only liable to obtain such documents and information as are specifically requested and identified by the Lessee to the Lessor in writing which shall be given to the Lessor sufficiently in advance so that the Lessor and/or each Kumiai-in is able to comply with such request and the Lessor shall not be otherwise responsible for any other matter whatsoever with respect thereto.

8.4. Notice of Breach, Change or Inconsistency. The Lessee and the Lessor each undertakes to give notice to each other of any

matter whether prior or subsequent to the Delivery Date which constitutes a breach of, change in or is inconsistent with, any of the representations and warranties in Section 8.2 or 8.3 hereof, respectively, forthwith upon becoming aware of the same.

SECTION 9. LIENS.

9.1. Permitted Liens. The Lessee shall not directly or indirectly create, incur, assume or suffer to exist any Lien, on or with respect to the Locomotives or any Part, title thereto or any interest therein or in this Lease except the following ("Permitted Liens"):

(a) the respective rights of the Lessor and the Lessee as herein provided;

(b) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is not in default or is being contested in good faith by appropriate proceedings so long as such contest does not involve any danger of the sale, forfeiture or loss of the Locomotives or any Part, or any title thereto or interest therein;

(c) Liens for Taxes either not yet due or being contested in good faith by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of the Locomotives or any Part, or any title thereto or interest therein and for the payment of which Taxes adequate reserves have been provided;

(d) Lessor's Liens and any lien which would be a Lessor's Lien except for the exception in clause (i) of the definition thereof;

(e) Liens on any Part which are financed by the Lessee pursuant to Section 12.5(b); and

(f) the rights of others under agreements or arrangements to the extent expressly provided by the terms of Section 12.2.

9.2. Removal of Liens; Protection of Locomotives. The Lessee shall duly and promptly, at its own cost and expense, pay or cause to be paid all sums required or take such action as may be necessary, to discharge fully any Lien not excepted in Section 9.1 if the same shall arise at any time and shall at its own cost and expense protect the Locomotives and all Parts thereof against distress, execution or seizures.

SECTION 10. INSURANCE.

10.1. Required Coverage. The Lessee will at all times during the Lease Term, as part of an insurance program including appropriate risk retention and self-insurance, and at its own expense, cause to be carried and maintained property damage insurance and public liability insurance in respect of the Locomotives (i) against such risks, on such terms and conditions and in such amounts which are not less than the public liability insurance and property damage insurance applicable to similar locomotives owned or maintained by Lessee on which Lessee carries insurance, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with the Lessee, and owning or operating similar locomotives, and which covers risks of the kind customarily insured against by such corporations, and (iii) which is maintained in effect or reinsured with industry or single parent captives and/or with insurers of recognized responsibility; provided that such property damage insurance shall insure the Locomotives on an agreed value basis for an amount not less than the aggregate of the Basic Termination Payment and Special Termination Payment (A) (conversion of Yen into Dollars for the purpose of determining such aggregate amount shall be made at the relevant exchange rate for buying Yen with Dollars as of the Delivery Date (in respect of the initial insurance coverage to be effective on the Delivery Date) or the Rent Payment Date immediately preceding the commencement of any year or other period, in respect of which the relevant policy is to be in force; provided that should the exchange rate of Yen against dollars change to the extent it will harm the interest of the Lessor in the insurance in such manner that the insurance may not cover the Special Termination Payment (A) on the applicable date, the Lessee shall, upon the Lessor's request, increase the agreed value to the Dollar equivalent of the then applicable Basic Termination Payment and Special Termination Payment (A) converted at the rate prevailing on such date).

The property damage insurance policies shall name the Lessor as an additional insured and loss payee, and the public liability insurance policies shall be available to satisfy claims against the Lessor to the extent of such policies. All policies with respect to such insurance shall, (a) include waivers by the insurer of all claims for premiums against the Lessor, (b) to the extent such insurance is available and is customarily obtained by the Lessee in respect of similar equipment owned or leased by it, provide that in respect of the interest of the Lessor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee and shall insure the Lessor's interest regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee, and (c) provide, or Lessor shall otherwise receive reasonably satisfactory assurance,

that, if such insurance is cancelled for any reason whatsoever, or any substantial change is made in the coverage which affects the interest of the Lessor, or if such insurance is allowed to lapse for non-payment of premium, such cancellation, change or lapse shall not be effective as to the Lessor for 30 days after receipt by the Lessor of written notice from such insurers of such cancellation, change or lapse (and Lessee shall provide 30 days' prior written notice to the Lessor in any such event). Each such property damage insurance policy shall provide, or Lessor shall otherwise receive reasonably satisfactory assurance, that such policy shall be primary without right of contribution from any insurance carried by the Lessor. The Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. On or before the Delivery Date, and annually not later than January 31 of each year with respect to public liability insurance and property damage insurance, commencing on January 31, 1990 the Lessee shall furnish to the Lessor a certificate of a responsible officer of the Lessee acceptable to the Lessor evidencing the maintenance of the insurance required. The Lessee shall, not later than 30 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Locomotives under this Section 10, furnish to the Lessor a written notice to the effect that (a) the Lessee is in good faith negotiating the renewal of such policy or policies and (b) the Lessee expects to furnish to the Lessor certificates evidencing renewal of such policy or policies, as promptly as practicable. The Lessee shall furnish to the Lessor certificates evidencing renewal of such policy or policies not later than 60 days after the expiration date of such policy or policies. The Lessee shall furnish to the Lessor a prompt written notice of any material adverse change in the Lessee's insurance program. In the event that the Lessee shall fail to maintain insurance as herein provided, and has failed to obtain separate policies reasonably satisfactory to the Lessor, Lessor may at its option on five Business Days' prior written notice to the Lessee provide such insurance and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor, as Supplemental Rent, for the cost thereof together with interest on the amount of such cost from the date of payment of such cost to the date of such reimbursement at the rate specified in Section 5.2 hereof. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of any Locomotives suffering an Event of Loss, Lessor shall, subject to Lessee's having complied with the provisions of Section 11.1 or 11.2 hereof, as the case may be, in respect of such Locomotives and, provided that no Default shall have occurred and be continuing, pay such insurance proceeds or condemnation payments to the Lessee. All insurance proceeds received by the Lessor in respect of any Locomotive not suffering an Event of Loss shall be paid to the Lessee upon

proof satisfactory to the Lessor that any damage to such Locomotive in respect of which such proceeds were paid has been fully repaired, provided that no Default shall have occurred and be continuing. Notwithstanding the foregoing, the Lessor shall in no event be obligated to participate in the funding of any self-insurance program of the Lessee. The Lessor shall have the right to carry insurance on the Locomotives for its own benefit and own expense.

Any amount referred to in the preceding paragraph which is payable to the Lessee shall not be paid to the Lessee, or, if it has been previously paid directly to the Lessee, shall not be retained by the Lessee, if at the time of such payment Default shall have occurred and be continuing, but shall be paid to and held by the Lessor, as security for the obligations of the Lessee under this Lease, and at such time as there shall not be continuing any such Default, such amount shall be paid to the Lessee. Notwithstanding the foregoing sentence, if such Default is caused by an event giving rise to the payment of such amount, such amount shall be paid to the Lessee to be applied by the Lessee to cure such Default.

The Lessee hereby agrees that it will not carry insurance affecting the Locomotives different from or in addition to the insurance described in this Section 10.1 that causes the benefits granted hereunder to the Lessor to be reduced without providing for the benefit of the Lessor adequate additional coverage.

SECTION 11. EVENT OF LOSS.

11.1. Event of Loss and Replacement of a Locomotive. Upon the occurrence of an Event of Loss with respect to any individual Locomotive, the Lessee shall forthwith (and, in any event, within thirty (30) days after such occurrence) give the Lessor written notice of such Event of Loss specifically identifying such individual Locomotive and the date of the occurrence of such Event of Loss and may at its option, subject to the provisions of Sections 11.2 and 11.3, compensate the Lessor in respect of such Event of Loss by furnishing the Lessor with a replacement locomotive (a "Replacement Locomotive"), to be leased hereunder in the manner and subject to the conditions set forth in this Section 11.1; provided, however, that this Section 11.1 shall not be applicable if, in the reasonable opinion of the Lessor based upon the opinion of the Lessor's independent tax advisor referred to in subclause (b)(A) below, such replacement would have adverse tax consequence to the Lessor:

(a) As promptly as practicable after the Event of Loss, and in any event on or before the Business Day next preceding the 91st day next following the date of the occurrence of such Event of Loss, the Lessee may designate in its sole discretion a proposed Replacement Locomotive and shall deliver to the Lessor all information regarding such proposed Replacement Locomotive as the Lessor may reasonably request for the purpose of making the calculations referred to in clause (b) of this Section 11.1.

(b) As promptly as practicable after the Lessee shall have notified the Lessor of the proposed Replacement Locomotive (and in any event within 30 days after such notice), the Lessor shall (A) obtain, at Lessee's expense, an opinion from its independent tax advisor as to the Japanese tax consequences to the Lessor resulting from the proposed replacement of the Locomotive and the ownership and leasing of the Replacement Locomotive pursuant to the terms hereof, (B) calculate the semi-annual amounts required to be paid by the Lessee to the Lessor or by the Lessor to the Lessee, as the case may be, in order to preserve the Lessor's after-tax rate of return, using the information supplied by the Lessee pursuant to clause (a) above and such opinion of its independent tax advisor and based on the same assumptions as the Lessor used in evaluating its investment in the Locomotives on the Delivery Date on which the Locomotive to be replaced was delivered and assuming that the Lessor has taken all available steps to defer any income or gain resulting from the replacement and to claim the tax benefits attributable to the Replacement Locomotive on a basis which provided the Lessee with the best economic results and taking into account that the Lessor will only pay amounts, if any, to the Lessee on the Final Rent Payment Date or the date on which the amounts payable under Section 13 are payable, (C) calculate the lump sum amount which, if paid by the Lessee to the Lessor or by the Lessor to the Lessee on the date the Lessee proposes to furnish the proposed Replacement Locomotive to the Lessor, would maintain the Lessor's anticipated after-tax yield (using the same information and assumptions described in subclause (B) of this Section 11.1(b)), (D) recompute the Special Termination Payments with respect to the Replacement Locomotive so as to preserve the Lessor's anticipated after-tax yield and, to the greatest extent possible, to limit the economic losses that could be suffered by the Lessee from the transactions contemplated by the Operative Documents upon a termination of the Lease of such Replacement Locomotive pursuant to Sections 11, 13 or 17, and (E) deliver to the Lessee a certificate signed by an

officer of the Lessor setting forth the amounts computed pursuant to subclauses (B) and (C) above and stating whether such amounts are payable by the Lessor to the Lessee or by the Lessee to the Lessor. Within fifteen (15) days after the Lessee has provided the Lessee with such certificate, the Lessor shall, by notification to the Lessor, either, (y) accept such adjustment as proposed or (z) if the Lessee shall disagree with such adjustment, request that the Lessor shall provide verification by a nationally recognized firm of independent certified public accountants selected by the Lessee and reasonably acceptable to the Lessor. In the event Lessee fails to respond, the Lessor's adjustment shall be conclusive. In connection with such verification, such accountants shall have a right to inspect, and the Lessor shall make available to such accountants, on a confidential basis, the Lessor's assumptions used to calculate such adjustment; provided, that in no event shall the Lessor be obligated to disclose to the Lessee or any other Person (other than such accountants) such assumptions. Within fifteen (15) days following such submission of such assumptions, such accountants shall notify the Lessee and the Lessor of the adjustment determined by such accountants and such adjustment shall be final and binding on the parties hereto. All expenses incurred by the Lessor or the Lessee in connection with the procedures described in this clause (b) shall be paid by the Lessee, provided that if the adjustment as determined by such accountants causes the amounts payable by the Lessee to the Lessor to decrease by 25% from the amount as initially determined by the Lessor, such expenses shall be borne by the Lessor. In the event the adjustment procedure described in this Section 11.1(b) delays the timely implementation of any such adjustment as finally determined and, further, such delay results in any payment to the Lessor to be made without the appropriate adjustment, then Lessee shall pay the adjusted amount to the Lessor as Supplemental Rent.

(c) If the certificate delivered by the Lessor pursuant to clause (b) above shows a net amount payable by the Lessee to the Lessor, the Lessee shall, on the date the Lessee furnishes the Replacement Locomotive to the Lessor pursuant to clause (d) below, pay to the Lessor such amount, or if such certificate shows a net amount payable by the Lessor to the Lessee, the Lessor shall, upon the replacement of the Locomotive as contemplated by this clause (c) pay to the Lessee, on the Final Rent Payment Date or the date on which the amounts payable under Section 13 are payable, an amount in Yen equal to the lesser of (A) the amount then payable to the Lessor in Yen and (B) the amount shown on such certificate.

(d) Not later than the 30th day after receipt of the Lessor's certificate pursuant to clause (b) above, the Lessee shall, unless it has notified the Lessor pursuant to Section 11.1 of the Lessee's determination not to replace any individual Locomotive, convey or cause to be conveyed to the Lessor, and the Lessor shall lease to the Lessee hereunder, the proposed locomotive (which need not be a new Locomotive), such Replacement Locomotive to be free and clear of all Liens other than Permitted Liens and to have a value and utility at least equal to, and to be in as good operating condition as, the Locomotive so replaced (assuming the Locomotive was in the condition and repair required by the terms of this Lease) and shall, in connection with such replacement:

(A) furnish the Lessor with a bill of sale conveying to the Lessor the Replacement Locomotive free of Liens other than Permitted Liens;

(B) cause a Lease Supplement substantially in the form of Schedule A hereto evidencing the lease of the Replacement Locomotive and incorporating by reference all the terms and provisions of this Lease duly executed by the Lessee, to be delivered to the Lessor for execution.

(C) furnish the Lessor with an opinion, satisfactory in form and substance to the Lessor, of the Lessee's counsel (which may be in-house counsel) to the effect that good title to the Replacement Locomotive has been conveyed to the Lessor free and clear of all Liens other than Permitted Liens;

(D) furnish the Lessor with a certificate signed by a duly authorized financial officer or executive of the Lessee certifying that, upon consummation of such replacement, no Default will exist hereunder;

(E) furnish the Lessor with a certificate of a Vice President of the relevant operating department of the Lessee certifying that the Replacement Locomotive has a value and utility at least equal to, and is in as good operating condition as, the Locomotive so replaced assuming such Locomotive was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss;

(F) take such other actions and furnish such other certificates and documents as the Lessor may reasonably require in order to assure that the

Replacement Locomotive and title thereto is duly and properly conveyed to the Lessor and leased to the Lessee to the same extent as the Locomotive replaced thereby and leased hereunder.

Upon the delivery of the Lease Supplement, and the bill of sale covering the Replacement Locomotive to the Lessor, (x) the lease hereunder of the replaced Locomotive at the time such Event of Loss occurred shall cease, (y) the Lessor shall, without recourse or warranty (except as to any Lessor's Liens) and without further act, be deemed to have transferred to the Lessee all of the Lessor's right, title and interest, if any, in and to the replaced Locomotive and shall, at the Lessee's expense, execute and deliver such bill of sale and other documents and instruments as the Lessee shall reasonably request to evidence such transfer and any vesting of all right, title and interest in and to such replaced Locomotive in the Lessee, in "as-is where-is" condition free and clear of all right, title and interest of the Lessor and any Lessor's Liens, and (z) the Lessor shall assign to the Lessee all claims against third persons for damage relating to such replaced Locomotive arising from the Event of Loss. During the period between the occurrence of the Event of Loss and the date of the replacement of the Locomotive pursuant to clause (d) of this Section 11.1, the obligation of the Lessee to pay Rent pursuant to Section 4 shall continue unchanged and the Lessee shall pay to the Lessor on each Rent Payment Date occurring during such period the amount equal to the Rent which would have become due and payable on such Rent Payment Date in accordance with the terms hereof had no Event of Loss occurred, except that upon such replacement, it shall become an obligation to pay such Rent in respect of the Replacement Locomotive. For all purposes hereof, upon delivery of a Lease Supplement and bill of sale covering the Replacement Locomotive to the Lessor, such Replacement Locomotive shall be leased hereunder and the Replacement Locomotive shall be a "Locomotive" as defined herein to the same extent as the Locomotive replaced thereby.

11.2. Lessee's Purchase Option; Termination of Lease.

Notwithstanding the provisions of Section 11.1, if Lessee shall have determined at any time prior to full compliance with Section 11.1 not to replace any individual Locomotive (notice of which the Lessee agrees to provide promptly after its determination) or the replacement of such individual Locomotive cannot be effected as provided herein, or if such replacement shall not have been effected (other than by fault of Lessor) by the 181st day following the Event of Loss, as compensation for such Event of Loss with respect to such individual Locomotive, the Lessee shall pay, on the earlier to occur of the first Rent Payment Date to occur after the date of such notice or the Termination Date, the proportionate amount attributable to such individual Locomotive of: (i) the Basic Termination Payment,

and (ii) the Special Termination Payment (A). If the the Lessor receives, on or before such Rent Payment Date or other Termination Date, as the case may be, all payments set forth in subparagraphs (i) and (ii) immediately above and any and all other amounts of Rent then due and payable by the Lessee with respect to such individual Locomotive, then on such Rent Payment Date or the Termination Date, as the case may be, and with respect only to such individual Locomotive and the Lessor's right, title and interest therein: (1) the Lease Term shall end, (2) the obligation of the Lessee to pay Basic Rent for the period after such Rent Payment Date or the Termination Date, as the case may be, shall cease and (3) the Lessor shall, without recourse, representation or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to the Lessee all of Lessor's right, title and interest, if any, free and clear of any Lessor's Lien, in and to such Locomotive, in "as-is, where-is" condition and shall, at the Lessee's expense, execute and deliver to the Lessee such documents and instruments as the Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to such Locomotive in the Lessee, free and clear of all right, title and interest of the Lessor and any Lessor's Liens and the Lessor shall assign to the Lessee all claims against third persons for damage relating to such replaced Locomotive arising from the Event of Loss. In no event shall any right, title or interest in or to such Locomotive be deemed to have been transferred to the Lessee prior to receipt by the Lessor in full of all payments set forth in subparagraphs (i), (ii) and (iii) above and any and all other amounts of Rent then due and payable by the Lessee with respect to such Locomotive.

11.3. Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds) received at any time by Lessor or by Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, or seizure of, or requisition of title to or use of, a Locomotive will be applied as follows:

(i) if such payments are received with respect to a Locomotive that has been or is being replaced by Lessee pursuant to Section 11.1, such payments shall be paid over to, or retained by, Lessee; and

(ii) if such payments are received with respect to a Locomotive that has not been and will not be replaced pursuant to Section 11.1, so much of such payment as shall not exceed the amounts required to be paid by Lessee pursuant to Section 11.2 shall be applied to pay to Lessor such amount if not

already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment thereof and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, Lessee.

11.4. Requisition for Use by the United States Government of Locomotive. In the event of the requisition for use during the Lease Term by the United States Government of a Locomotive the Lessee shall promptly notify the Lessor of such requisition and until such requisition becomes an Event of Loss all of the Lessee's obligations under this Lease with respect to such Locomotive shall (to the extent feasible with respect to obligations other than payment obligations) continue to the same extent as if such requisition had not occurred; provided that if such Locomotive is not returned by the United States Government prior to the end of the Lease Term, the Lessee shall be obligated to return such Locomotive to Lessor pursuant to, and in all other respects to comply with the provisions of, Section 15 promptly upon its return by the United States Government unless the Lessee shall have purchased such Locomotive at the end of the Lease Term. Except in cases where a Default has occurred and is continuing, all payments received by the Lessor or the Lessee from the United States Government for the use of such Locomotive prior to the time such requisition becomes an Event of Loss shall be paid over to, or retained by, the Lessee.

SECTION 12. MAINTENANCE, POSSESSION, OPERATION, REPLACEMENT, ALTERATIONS, ETC.

12.1 Maintenance. The Lessee undertakes that at its own cost and expense at all times after the Delivery Date for Locomotives delivered on such date it shall, or shall cause others to, (a) maintain, inspect, service, repair, overhaul and test such Locomotives in accordance with the Lessee's standard maintenance program applicable to similar types of equipment owned or operated by the Lessee from time to time and which are comparable with industry standards so as to keep the Locomotives (i) in good operating condition and in the same condition as delivered by the Manufacturer, ordinary wear and tear excepted and (ii) eligible under all Manufacturer's warranties, (b) maintain all records, logs and other materials required to be maintained in respect of the Locomotives, and (c) promptly furnish or cause to be furnished to the Lessor such information as may be required to enable the Lessor to file any reports required to be filed by the Lessor with any governmental authority because of the Lessor's ownership of the Locomotives.

The Lessee agrees that the Locomotives shall not be used, operated or maintained in violation of any law, rule,

regulation, order or certificate of any government or governmental authority or in violation of any certificate, license or registration relating to the Locomotives issued by any such authority.

12.2. Possession. The Lessee shall not, without the prior written consent of the Lessor, in any manner sublease or otherwise deliver, transfer or relinquish possession of the Locomotives pursuant to a sublease or otherwise.

Notwithstanding the foregoing, the Lessee, so long as no Default shall have occurred and be continuing and so long as the action to be taken does not and will not contemplate, permit, require or result in the transfer, diminution or change in nature of the Lessor's ownership of, or title to, any Locomotive, without the prior written consent of the Lessor, may:

(a) sublease the Locomotives for a term which does not extend beyond the Lease Term;

(b) grant to a third party a security interest in all or part of the Lessee's interests in this Lease;

(c) subject any Part to normal interchange or pooling agreements or similar arrangements in each case customary in the railway industry and entered into by the Lessee in the ordinary course of its business, provided that no such agreement or arrangement shall contemplate or require the transfer, diminution or change in nature of title to the Locomotives, and if the Lessor's title to any such Part shall be divested, diminished or altered under any such agreement or arrangement, such divestiture, diminution or alteration shall be deemed to be an Event of Loss with respect to such Part and the Lessee shall substitute a Replacement Part therefor in accordance with Section 12.4;

(d) deliver possession of the Locomotives to the Manufacturer for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Locomotives or any Part thereof or for alterations or modifications in or additions to the Locomotives to the extent required or permitted by the terms of Section 12.5; and

(e) permit the use of the Locomotives upon the lines of railroad owned or operated by the Lessee (either alone or jointly with another) or by any Affiliate thereof or upon lines over which the Lessee or any Affiliate shall have trackage or other operating rights or upon connecting and other railroads in the usual interchange of traffic and upon connecting and other railroads over which through-service may from time to time be afforded.

The rights of any sublessee, transferee or holder of a security interest under a transaction permitted by this Section 12.2 shall by the terms contained therein expressly be made subject and subordinate to the ownership interest of the Lessor under this Lease and to all the terms of this Lease and the Lessee shall remain primarily liable hereunder for the performance of all of the terms of this Lease to the same extent as if such sublease, transfer or grant of security interest had not occurred. Any such sublease or transfer shall include appropriate provisions for the maintenance and insurance of the Locomotives thereby subleased or transferred. No pooling agreement, sublease, transfer or other relinquishment of possession of the Locomotives shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder. The Lessee shall notify the Lessor at least 14 days prior to the commencement of a sublease of (x) the name of the sublessee (y) the duration of the sublease and (z) such other information that the Lessor may reasonably require.

12.3. Operation. The Lessee undertakes not to operate, use or locate, or permit to be operated, used or located, the Locomotives in Japan.

12.4. Replacement and Pooling of Parts. The Lessee, at its own cost and expense, shall promptly replace or cause to be replaced all Parts which may from time to time be incorporated in, installed on or attached to the Locomotives and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, the Lessee may remove or cause to be removed, at its own cost and expense, in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided that the Lessee shall replace or cause to be replaced, at its own cost and expense, such Parts as promptly as possible unless such removal is permitted by Section 12.5(b). All replacement Parts ("Replacement Parts") shall be free and clear of all Liens other than Permitted Liens and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from the Locomotives shall remain the property of the Lessor, no matter where located, until such time as such Parts shall be replaced by equivalent Parts which have been incorporated or installed in or attached to the Locomotives and which meet the requirements for Replacement Parts above specified. Immediately upon any Replacement Part becoming incorporated or

installed in or attached to the Locomotives as above provided, without further act, subject only to Permitted Liens:

(i) title to the replaced or removed Part shall thereupon vest in the Lessee free and clear of all rights of the Lessor and all Lessor's Liens, and such Part shall no longer be deemed a Part hereunder;

(ii) title to such Replacement Part shall thereupon vest in the Lessor free and clear of all Liens; and

(iii) such Replacement Part shall become subject to this Lease and be deemed part of the Locomotives for all purposes hereof to the same extent as the Part originally incorporated or installed in or attached to the Locomotives.

12.5. Alterations, Modifications and Additions.

(a) The Lessee, at its own cost and expense, shall make or cause to be made such alterations and modifications in and additions to the Locomotives (collectively referred to as "Required Alterations") as may be required from time to time to meet the interchange rules of the Association of American Railroads, if applicable, and all standards or requirements of any governmental authority having jurisdiction over the Locomotives or the Lessee. Title to all Parts used in such Required Alterations shall, without further act or instrument, vest in the Lessor.

(b) The Lessee, at its own cost and expense and/or financing, may from time to time make or cause to be made such alterations and modifications in and additions to the Locomotives including removal of obsolete Parts (collectively referred to as "Voluntary Alterations") as the Lessee may deem desirable in the proper conduct of its business and in accordance with the terms of this Agreement; provided, however, that such Voluntary Alteration (i) shall not materially diminish the value or utility of the Locomotives, or impair the condition thereof, below the value, utility and condition thereof immediately prior to such Voluntary Alteration, modification or addition (ii) shall not alter the fundamental nature or identity of the Locomotives and (iii) shall not result in the transfer of title to the Locomotives from the Lessor to the Lessee or any third party. Title to all Parts used in such Voluntary Alteration shall vest in the Lessor, unless such Parts may be readily removed without materially diminishing the value or utility of, or affecting the Lessor's title to, the Locomotives. In such event, title to such Parts used in such Voluntary Alterations shall, without further act or instrument, vest in the Lessee; provided that any such Part not removed by the Lessee upon return of the Locomotives to the Lessor hereunder shall become the property of the Lessor.

12.6. Identification. The Lessee (i) shall cause on or prior to each Delivery Date (or shall cause as soon thereafter as is practicable) the Locomotives to be delivered on such Delivery Date to be numbered with the respective identification numbers set forth in Schedule AA hereto, and (ii) shall keep and maintain, plainly, distinctly, permanently and conspicuously in the case of each such Locomotive a nameplate bearing the legible inscription "TITLE TO THIS LOCOMOTIVE IS HELD BY SLUP LOCOLEASE (ONE) CO., LTD., THE LESSOR, WHICH HAS LEASED THIS LOCOMOTIVE TO UNION PACIFIC RAILROAD COMPANY," with appropriate changes thereof as from time to time may be required by any law, rule, regulation, order or directive in order to protect Lessor's title to and interest in such Locomotive and the rights of Lessor under this Lease. Lessee shall not place any Locomotive in operation or exercise any control or dominion over the same until such words shall have been so marked and shall replace promptly any such markings which may be removed, defaced, obliterated or destroyed. Lessee will not change the identification number of any Locomotive unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and duly filed or deposited, as the case may be, by Lessee in all public offices where this Lease shall have been filed or deposited and (ii) Lessee shall have furnished Lessor with an opinion of counsel in form and substance satisfactory to Lessor to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any federal, District of Columbia, state or local government or agency thereof is necessary to protect the rights of Lessor in such Locomotive.

Except as provided above, the Lessee shall not allow the name or other indication of any person to be placed on the Locomotives which name or other indication could be interpreted as a claim of ownership or other interest therein; provided, however, that the Locomotives may be marked with the customary name, colors and insignia of the Lessee, any party to whom possession of a Locomotive may be delivered pursuant to Section 12.2(a), the Manufacturer or other suppliers or marked to show the interest of any person referred to in Section 12.2(b) to the extent not inconsistent with Lessor's title to the Locomotives or its rights under this Lease.

12.7. Labor and Services. Nothing contained in this Agreement shall constitute any consent or request by the Lessor, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Locomotives or any part thereof, nor as giving the Lessee any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against the Lessor in respect thereof or

any claim that any Lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the Lien of this Agreement.

12.8. Expenses of Operation, Warranties, Etc. The Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Locomotives, or any Part including but not limited to repairs, maintenance, storage, housing, servicing and all taxes and charges. So long as no Default shall have occurred and be continuing, the Lessee shall have the benefit of and shall be entitled to enforce, either in its own name or in the name of the Lessor (at the cost of the Lessee and in respect to which enforcement the Lessee hereby indemnifies the Lessor) for the use and benefit of the Lessee, any and all dealer's, manufacturer's or subcontractor's warranties, if any, in respect of the Locomotives and the Lessor agrees to do, execute and deliver such further acts, deeds, matters or things as may be necessary to enable the Lessee to obtain customary warranty service furnished for the Locomotives by such dealer, manufacturer or subcontractor. The Lessee shall at all times promptly and effectively enforce its and the Lessor's rights under any warranty hereinabove mentioned.

12.9. Additional Information. During the term of this Agreement, the Lessee shall also furnish to the Lessor such additional information obtained from records the Lessee customarily maintains concerning the location, condition, use and operation of the Locomotives as the Lessor may reasonably request from time to time.

SECTION 13. EARLY TERMINATION.

13.1 The Lessee's Right of Termination.

(a) So long as no Event of Default shall have occurred and be continuing and after the lapse of six (6) years from the Delivery Date, the Lessee shall have the right, at its option, to terminate this Lease in respect of all, but not some only, of the Locomotives, upon not less than one hundred eighty (180) days' prior written notice irrevocably given to the Lessor by the Lessee and specifying as the Termination Date the sixth (6th) anniversary of the Delivery Date or any subsequent Rent Payment Date thereafter.

(b) Upon the occurrence of a Special Termination Event, the Lessee shall have the right, at its option, to terminate this Lease upon written notice to the Lessor specifying as the Termination Date a Business Day occurring on or after the date Lessee gives notice of such termination.

(c) If (i) (A) United States Taxes, or other Taxes on the indemnity payable by the Lessee under Section 16.2(b)(i) by reason of the imposition of United States Taxes as contemplated in Section 16.2(b)(ii), or (B) any other Taxes that are indemnified against by the Lessee pursuant to Section 16.2(b), would be, in the opinion of the Lessee's independent tax counsel (expressed in a written opinion delivered to the Lessor), imposed or assessed on or with respect to, or required to be deducted or withheld from, any payment of Rent made by the Lessee or any other Person pursuant to this Lease or any other Operative Document, or (ii) an official announcement by the Ministry of Finance of Japan, the National Tax Administration Agency of Japan, the Japanese Ministry of Foreign Affairs, the Bank of Japan, the Japanese Ministry of International Trade and Industry, the Prime Minister of Japan or any taxing or any other responsible governmental authority of Japan or by the United States of America or by any taxing or any other responsible governmental authority of the United States of America has been made to the effect that the United States or Japan intends to seek an amendment to or replacement for, or a termination of, the Treaty (or any amended or successor treaty) which action would result, in the opinion of the Lessee's independent tax counsel (expressed in a written opinion to the Lessor), in the imposition of United States Taxes on or with respect to, or the withholding or deduction of United States Taxes from, any payment of Rent made by the Lessee or any other Person pursuant to this Lease or any other Operative Document at a rate greater than 10%, and termination of this Lease is then necessary to avoid adverse consequences to the Lessee as a result of such actual or proposed imposition, assessment, deduction or withholding, then the Lessee shall have the right, at its option, to terminate this Lease upon not less than thirty (30) days' prior written notice to the Lessor specifying as the Termination Date, in the case of Taxes referred to in Section 16.2 (b)(i), the earlier of (x) the first Rent Payment Date to occur after such notice period or (y) the latest Business Day by which termination of this Lease is necessary to avoid or minimize such adverse consequences or, in the case of Taxes referred to in Section 16.2(b)(ii), the latest Business Day on which termination of this Lease is necessary to avoid such adverse consequences.

(d) If United States Taxes or other Taxes, indemnified against in either case by the Lessee pursuant to Section 16.2(a) would be in the opinion of Lessee's tax counsel (expressed in a written opinion delivered to the Lessor), imposed or assessed on or with respect to any payment of Rent made by the Lessee or any other Person pursuant to this Lease or any other Operative Document, and termination of this Lease is then necessary to avoid adverse consequences to the Lessee as a result of such actual or proposed imposition or assessment then the Lessee shall have the right, at its option, to

terminate this Lease upon not less than thirty (30) days' prior written notice to the Lessor specifying as the Termination Date the latest Business Day by which termination of this Lease is necessary to avoid such adverse consequences.

13.2. Lessor's Right of Termination. If as a result of Change of Tax Law or Tax Ruling any of the assumptions set forth in Section 6.1 (j) shall be rendered invalid, and such Change of Tax Law or Tax Ruling occurs on or prior to the fifth (5th) anniversary of the Delivery Date then the Lessor shall have the right, at its option, to terminate this Lease upon written notice to the Lessee specifying as the Termination Date, the first Rent Payment Date to occur after such notice.

13.3. Termination upon Loan Acceleration. This Lease shall terminate automatically on the date (which shall be the Termination Date) (a) the Lender accelerates the payment of the Loan pursuant to one of the following Clauses of the Loan Agreement: (i) Clause 7 (unless clause (a)(iii) below applies), or (ii) Clause 8 or (iii) Clause 7 where the law which is the subject of the Change of Law causing such acceleration is Japanese and the Lessor has not used its best efforts (reasonably available to it) to avoid or mitigate the "Deduction or Increased Cost" as defined in the Loan Agreement resulting from such Change of Law, or (b) upon the occurrence of the Event of Default referred to in Section 17.1(f).

13.4. Additional Rights of Termination. If it shall be or shall become unlawful under the laws of (a) United States, (b) Japan, or (c) any applicable jurisdiction other than Japan and the United States, for a party hereto to participate, or continue to participate, in the transactions contemplated by this Lease and the other Operative Documents or to perform a material obligation hereunder or thereunder, and such party shall have furnished to the other party an opinion of counsel reasonably acceptable to the other party in the appropriate jurisdiction describing those actions, obligations or provisions the performance of, or compliance with which is unlawful and stating that no reasonable course of action is available to such party which would render the performance of such actions or obligations or the compliance with such provisions lawful under such jurisdiction, then such party shall have the right, at its option, to terminate this Lease upon written notice specifying as the Termination Date the first Rent Payment Date to occur after the date of such notice (or if and only if necessary to avoid such unlawfulness any Business Day prior to such Rent Payment Date). The Lessor and the Lessee hereby agree to discuss in good faith, prior to such Termination Date, any available means to avoid such unlawfulness with a view to restructuring the transactions contemplated by this Lease and the other Operative Documents,

if possible, in a manner satisfactory to both parties in order to rectify, or avoid, such unlawfulness.

13.5. The Lessee's Option to Purchase. Upon any termination pursuant to Sections 13.1, 13.2, 13.3 or 13.4 above, the Lessee may, at its option, purchase all, but not some of the Locomotives, provided that: (a) if the Lessee is the terminating party, the notice of the Lessee's election to exercise such purchase option is included in the notice of the Termination Date, (b) if the Lessor is the terminating party, the Lessee notifies the Lessor of its election of such purchase option not later than the thirtieth (30th) day after the Lessee's receipt of the notice of the Termination Date from the Lessor, and (c) if the Lease is terminated under Section 13.3, the Lessee shall be deemed to have exercised its purchase option on the Termination Date.

13.6. Purchase Price upon the Lessee's Exercise of Option. If the Lessee elects to exercise such purchase option, the Lessee shall pay to the Lessor, as the purchase price for the Locomotives, on the Termination Date, the sum of: (a) the Basic Termination Payment; (b) the Special Termination Payment (A) in the case of any termination pursuant to Section 13.1(a), 13.1(c)(i)(A), 13.1(c)(ii), 13.1(d), 13.3(b) or 13.4(a), or Special Termination Payment (B) in the case of any termination pursuant to Sections 13.1(c)(i)(B), 13.3(a)(i), or 13.4(c), or Special Termination Payment (C) in the case of any termination pursuant to Sections 13.1(b), 13.2, 13.3(a)(ii), 13.3(a)(iii) or 13.4(b); and (c) any and all other amounts of Rent or payments due and payable as of such Termination Date. Notwithstanding the provisions of the preceding sentence, in the event of a termination pursuant to Section 13.4(c), the Lessee shall pay either (i) Special Termination Payment (A), if the illegality giving rise to such termination is primarily attributable to the acts of the Lessee or (ii) Special Termination Payment (C), if the illegality giving rise to such termination is primarily attributable to the acts of the Lessor or (iii) in all other events, Special Termination Payment (B), as aforesaid. If, on or before the Termination Date, the Lessor has received all payments set forth in this Section 13.6 with respect to all the Locomotives, then on the Termination Date with respect to all the Locomotives: (i) this Lease shall terminate, (ii) the obligation of the Lessee to pay Basic Rent for the period after the Termination Date shall cease, and (iii) the Lessor shall, without recourse, representation or warranty (except as to the Lessor's Liens) and without further act, be deemed to have transferred to the Lessee all of the Lessor's right, title and interest in and to the Locomotives, free and clear of all the Lessor's Liens, in "as-is, where-is" condition and shall, at the Lessee's expense, execute and deliver to the Lessee such documents and instruments (including, without limitation, a bill of sale) as the Lessee shall reasonably request to evidence (on the public record or

otherwise) such transfer and the vesting of all right, title and interest in and to the Locomotives in the Lessee, free and clear of all right, title and interest of the Lessor and any Lessor's Liens. If the Lessor has not received all payments set forth in this Section 13.6 on or prior to the Termination Date, then so long as such payments are received within the grace period set forth in Section 17.1(a) hereof and no Default has occurred and is continuing, the events described in subparagraphs (i), (ii) and (iii) of the preceding sentence shall occur on the date payment from the Lessee is received by the Lessor. In no event shall any right, title or interest in or to the Locomotives be deemed to have been transferred to the Lessee prior to receipt by the Lessor in full of all payments set forth in this Section 13.6.

13.7. Payments due if the Lessee does not Exercise Option prior to the Termination Date. If the Lessee does not exercise its option as set forth in Section 13.5 above with respect to the purchase of all the Locomotives on or prior to the Termination Date:

(a) The Lessee shall pay to the Lessor, on the Termination Date, the amounts set forth in Section 13.6 above;

(b) If, on or before the Termination Date, the Lessor receives all payments set forth in Section 13.6 above, this Lease shall terminate on the Termination Date and the obligation of the Lessee to pay Basic Rent for the period after the Termination Date shall cease; and

(c) On or after the Termination Date (but in any event no sooner than the thirtieth (30th) day after receipt by the Lessee of the notice of the Termination Date if the Lessor is the terminating party), the Lessor may sell, at its option, at public or private sale to any person (including without limitation the Lender or any Affiliate of the Lender or the Lessor) or otherwise dispose of the Locomotives or any Part, at any time after the Termination Date, free and clear of any rights of the Lessee or any other person. If the Lessor is unable to sell the Locomotives or any Part within ninety (90) days of the Termination Date, the Lessor shall promptly obtain the appraisal of an appraiser of recognized standing with regard to locomotive equipment as to the fair market value of such unsold item. If the Lessor sells or disposes of the Locomotives, the proceeds of such sale or other disposition shall first be applied to, or if the Lessor obtains an appraisal pursuant to the preceding sentence then the appraised value of any unsold item shall first be credited against, the sum of (i) any and all costs and expenses (including without limitation Taxes and legal fees and advertising costs) incurred by the Lessor in connection with such sale, disposition or appraisal, as the case may be, and (ii) any amounts of Rent due

and payable as of the date of such sale, disposition or appraisal, as the case may be. If after so applying the proceeds of such sale or other disposition, or crediting the amount of such appraised value, the Lessor shall not have received the full amount of the payments required to be made by the Lessee under Section 13.7(a), the Lessee shall, in recognition of the Lessee's past use of the Locomotives, pay any deficiency to the Lessor upon demand. If after such application or credit any proceeds or portion of the appraised value are remaining, such proceeds shall be refunded or an amount equal to such portion of the appraised value shall be paid to the Lessee up to a maximum amount equal to the aggregate amount paid by the Lessee pursuant to Section 13.7(a) above. If any proceeds or portion of appraised value are remaining after such refund or credit has been made to the Lessee, the Lessor shall retain the full amount or benefit thereof.

Notwithstanding the foregoing, if the Lessor is the terminating party and the Lessee shall elect to exercise its option as set forth in Section 13.5 after the Termination Date but no later than the thirtieth (30th) day after receipt by the Lessee of the notice of the Termination Date, then the provisions of this Section 13.7 shall cease to apply and the amounts paid by the Lessee pursuant to Section 13.7(a) shall be deemed to have been paid pursuant to Section 13.6.

SECTION 14. PURCHASE OF LOCOMOTIVES AT END OF BASIC LEASE TERM

14.1. The Lessee's Option to Purchase at End of Basic Lease Term. So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right, at its option, upon written notice irrevocably given to the Lessor by the Lessee not less than thirty (30) days nor more than one hundred eighty (180) days prior to the Final Rent Payment Date, to purchase the Locomotives by paying to the Lessor, on or before the Final Rent Payment Date, the End-of-Term Purchase Price. If the Lessee exercises such option as set forth in the immediately preceding sentence and if, on or prior to the Final Rent Payment Date, the Lessor receives payment in full of the End-of-Term Purchase Price and any and all other amounts of Rent due and payable by the Lessee as of the Final Rent Payment Date, including without limitation, the final Basic Rent that becomes due and payable on the Final Rent Payment Date, then, on the Final Rent Payment Date, the Lessor shall, without recourse, representation or warranty (except as to the Lessor's Liens) and without further act, be deemed to have transferred to the Lessee all of the Lessor's right, title and interest, in and to the Locomotives free and clear of all the Lessor's Liens, in "as-is, where-is" condition and shall, at the

Lessee's expense, execute and deliver to the Lessee such documents and instruments (including, without limitation, a bill of sale) as the Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to the Locomotives in the Lessee, free and clear of all rights, title and interest of the Lessor and any Lessor's Liens. If the Lessor has not received the End-of-Term Purchase Price on or prior to the Final Rent Payment Date, then so long as such payment is received within the grace period set forth in Section 17.1(a) hereof and no Default has occurred and is continuing, the transfer of the Lessor's title as set forth above shall occur on the date payment from the Lessee is received by the Lessor. In no event shall any right, title, or interest in or to the Locomotives be deemed to have been transferred to the Lessee prior to receipt by the Lessor in full of the End-of-Term Purchase Price and any and all other amounts of Rent due and payable by the Lessee.

14.2. Payments due if the Lessee does not Exercise Option at End of Basic Lease Term. In the event that the Lessee does not exercise the option as set forth in Section 14.1 above to purchase the Locomotives:

(a) The Lessee shall pay to the Lessor on the Final Rent Payment Date, the Deficiency Payment and any and all other amounts of Rent due and payable by the Lessee as of the Final Rent Payment Date; and

(b) The Lessor may sell, at its option and upon ten (10) days prior written notice to the Lessee (during which time the Lessee may still exercise its option to purchase the Locomotives pursuant to Section 14.1 and upon compliance with the provisions thereof, the Lessor shall refund any payments made by the Lessee under Section 14.2(a)), at public or private sale to any person (including without limitation the Lender or any Affiliate of the Lender or the Lessor) or otherwise dispose of the Locomotives or any Part, at any time after expiration of the Lease Term, free and clear of any rights of the Lessee or any other Person. If the Lessor is unable to sell the Locomotives or any Part within ninety (90) days after such expiration, the Lessor shall promptly obtain the appraisal of an appraiser of recognized standing in relation to locomotive equipment as to the fair market value of such unsold item. If the Lessor sells or disposes of the Locomotives, the proceeds of such sale or other disposition shall first be applied to, or if the Lessor obtains an appraisal pursuant to the preceding sentence then the appraised value of the unsold item shall first be credited against, the sum of (i) any and all costs and expenses (including without limitation Taxes and legal fees and advertising costs) incurred by the Lessor in connection with such sale, disposition or appraisal, as the case may be, (ii)

to the extent not previously paid, the Deficiency Payment, and (iii) any other amounts of Rent due and payable as of the date of such sale, disposition or appraisal, as the case may be. If the Lessor has received the Deficiency Payment together with the amounts referred to in subparagraphs (i) and (iii) above, the proceeds of such sale shall be refunded or an amount equal to the appraised value of the unsold items shall be paid to Lessee up to a maximum amount equal to the aggregate amount paid by the Lessee pursuant to Section 14.2(a) above. If any proceeds or portion of the appraised value are remaining after such refund or payment has been made to the Lessee, the Lessor shall retain the full amount or benefit thereof.

SECTION 15. RETURN OF THE LOCOMOTIVES.

15.1. Condition upon Return. In the event that the Lessee shall be obligated to return the Locomotives to the Lessor pursuant to Section 17.2(a) or in the event that the Lessee does not exercise its purchase option under Sections 13 or 14 upon the expiration or earlier termination of the Lease Term, at the time of such return, the Locomotives (i) shall be in compliance with the standard Manufacturer's mandatory service bulletins and with the provisions of Section 12.1, (ii) shall be free and clear of all Liens (other than Lessor's Liens), (iii) shall be in good operating condition, with no items of deferred maintenance, and in the same condition as when delivered to the Lessee by the Manufacturer, ordinary wear and tear excepted, and (iv) shall be free of all the Lessee's identification markings (all such identification having been removed in a workmanlike manner).

15.2. Manuals. Upon the return of the Locomotives, the Lessee shall transfer to the Lessor all logs, manuals, data, training aids, materials, and inspection, modification and overhaul records required to be maintained with respect thereto by any governmental authority having jurisdiction or are necessary to the ownership, use, operation or maintenance of the Locomotives including a copy of the description of the maintenance program then applied to the Locomotives.

15.3. Warranties and Indemnifications. Upon return of the Locomotives, the Lessee shall transfer to the Lessor to the extent transferable all warranties and indemnifications obtained by the Lessee with respect to the Locomotives together with all documents relative thereto which may be required to effect such transfer.

Notwithstanding any provision to the contrary in this Lease and regardless of the expiration or earlier termination of the Lease Term, the Lessee's obligations to maintain the Locomotives, at the Lessee's expense, in good operating

condition in accordance with all the standards set forth in Section 12.1 hereof and to comply with all provisions of this Section 15 shall survive until the Lessee has fully performed all its obligations under this Section 15. In the event that the Lessee fails to perform or observe any condition or agreement to be performed by it under this Section 15 with respect to the Locomotives, the Lessor may repossess the Locomotives, without any liability therefor to the Lessee or any other person and at the Lessee's expense.

15.4. Storage upon Return. Upon any termination of this Lease, the Lessee shall, at the Lessor's request and at the cost of Lessee, arrange for the parking, storage and insurance of the Locomotives for a period not exceeding ninety (90) days. The Lessee shall, at its cost, deliver the Locomotives to a location in the United States, designated by the Lessor, upon written instructions.

SECTION 16. INDEMNITIES AND TAXES.

16.1. General Indemnity. (a) The Lessee agrees to pay, assume liability for, and indemnify, protect, defend, save and hold harmless the Lessor or its Affiliates, any Kumiai-in and their respective permitted successors and assigns, agents, directors and employees (in each case collectively hereinafter referred to as an "Indemnatee"), and each and any of them, from and against any and all liabilities, obligations, losses, damages, penalties, claims, settlements, actions, demands, judgments, charges, public fees, suits, costs and expenses (including, but not limited to, bank handling and lifting charges (for funds received by the Lessor but not thereafter), reasonable legal fees and expenses) of whatsoever kind and nature (any of the foregoing being referred to as a "Claim") which may from time to time be imposed on or incurred by, directly or indirectly, any Indemnatee (whether or not any such Claim is also indemnified or insured against by any other person) relating to or arising out of a breach by the Lessee of any of its representations, warranties, undertakings or obligations hereunder or under any Operative Document, the acceptance, nonacceptance, rejection, purchase, delivery, nondelivery, lease, sublease, possession, use, presence, manufacture, design, control, construction, installation, operation, transportation, accident, insurance, condition, storage, maintenance, servicing, improvement, modification, alteration, repair, replacement, sale, return, transfer, exchange, substitution or other disposition of, to or in respect of the Locomotives, or any Part or any interest therein. The foregoing indemnity shall be reduced to the extent that such Claim (i) is caused by the Lessor's breach of any of its representations, warranties, undertakings, or obligations

hereunder or under any Operative Document or such Indemnatee's willful misconduct or negligence, (ii) is a Tax, but the reduction provided by this clause (ii) shall not affect the indemnity provided under Section 16.2 or (iii) relates to any act occurring after the earlier of, except if any Event of Default exists at such time, (A) the purchase of the Locomotives by the Lessee from the Lessor in accordance with the terms of this Agreement, or (B) the return of the Locomotives to the Lessor by the Lessee in accordance with the terms of Section 15 hereof. Any amount payable by the Lessee under this Section 16.1 shall be paid in the currency in which the relevant Indemnatee suffered the loss relevant to the Claim indemnified against hereunder.

(b) Without prejudice to the terms of Section 16.1(a), the Lessee agrees to operate, use and keep the Locomotives at the risk of the Lessee and that the Lessor shall have no liability whatsoever, and Lessee hereby indemnifies to the full extent permitted by law the Indemnitees against all claims and demands of every kind, and against all liability and any losses which may arise, in respect of any accident or damage or loss to property or death of or injury to any person of whatsoever nature or kind caused directly or indirectly by the Locomotives or anything done in, on or with the Locomotives.

(c) Upon the commencement of any legal proceedings respecting any Claim under Section 16.1(a) or any claims or demands under Section 16.1(b), the Lessor shall promptly notify the Lessee and the Lessee may, at its expense, participate in, direct the conduct of and consent to any settlement thereof, and, to the extent that it shall desire, assume in good faith the defense thereof, with counsel reasonably satisfactory to such Indemnatee (and the Lessee shall then be only obligated to pay the costs and expenses of the counsel so selected).

16.2 (a) General Tax Indemnity. (i) (A) The Lessee agrees to pay, assume liability for, and indemnify, protect, defend, save and hold harmless the Indemnitees, and each and any of them, from and against any and all Taxes, however imposed, whether imposed or levied upon or asserted against any Indemnatee, the Lessee, the Locomotives or any Part or any interest therein, upon or with respect to: (1) the Locomotives or any Part or any interest therein; (2) any of the Operative Documents, any interest therein, or the execution or delivery thereof; or (3) the acceptance, nonacceptance, rejection, purchase, ownership, title, delivery, non-delivery, lease, sublease, financing, possession, use, presence, manufacture, design, control, construction, installation, operation, transportation, accident, insurance, condition, storage, maintenance, servicing, improvement, modification, alteration, repair, replacement, sale, return, transfer, exchange, substitution or other disposition of, to or in respect of the Locomotives, or

any Part or any interest therein. Each Party shall promptly notify the other party of the imposition, levy or assertion of any Taxes under this Section 16.2(a).

(B) The indemnity referred to in Section 16.2(a)(i)(A) shall be reduced by (1) any Taxes caused by a breach by the Lessor of any of its representations, warranties, undertakings or obligations contained herein or in any other Operative Document to which it is a party or such Indemnatee's willful misconduct or negligence; (2) any Taxes imposed upon an Indemnatee by a jurisdiction other than Japan as a result of such Indemnatee's presence in or connection to such jurisdiction which presence or connection is unrelated to the transactions contemplated by the Lease or any other Operative Document; (3) Taxes to the extent incurred in respect of an event occurring after the earliest to occur of any of the following events: (A) the purchase of the Locomotives by the Lessee from the Lessor in accordance with the terms of this Agreement, (B) the return of the Locomotives to the Lessor by the Lessee in accordance with the terms of Section 15 hereof, or (C) any sale made pursuant to Section 13.7(c), 14.2(b) or 17.2(c); (4) any Taxes resulting directly from any sale, assignment, transfer or other voluntary disposition by an Indemnatee of any interest of such Indemnatee in the Locomotives or any Part in this Agreement or the Tokumei Kumiai Agreement other than a transfer contemplated by this Agreement or any other Operative Documents; (5) Taxes imposed by the Government of Japan or any taxing authority or governmental subdivision thereof or therein (including stamp duty tax, if any, arising from the execution of any Operative Document in Japan) except those Taxes imposed due to any breach by the Lessee of its representations, warranties or covenants hereunder or under any Operative Documents or due to the presence, manufacture, use, operation, maintenance, alteration, repair or replacement of the Locomotives, or any Part in Japan or the presence of the Lessee, any sublessee or any Affiliate of any of them in Japan; (6) Taxes which are imposed by way of deduction or withholding from payments of Rent required to made hereunder or under any other Operative Document but the reduction provided by this clause (6) shall not affect the indemnity provided under Section 16.2(b); and (7) Taxes imposed by any governmental or taxing authority in respect of the net income, capital, net worth, gross receipts or gross profits of an Indemnatee (excluding any sales, use, value added, consumption taxes or similar taxes).

(ii) The Lessee further agrees that, with respect to any payment or indemnity owed to an Indemnatee under this subparagraph (a), the Lessee's obligation to make such payment or indemnity shall include (x) an amount necessary to hold the Indemnatee harmless on a net after-tax basis taking into consideration tax benefits actually received, if any, from all

Taxes which may be payable with respect to or as a result of such payment or indemnity by the Lessee (including without limitation any payment under this subparagraph (a)(ii)) and (y) an amount necessary to compensate the Indemnatee for any funding costs incurred by the Indemnatee with respect to such payment or indemnified amount prior to the due date as specified in subparagraph (a)(iii) below for receipt of such payment or indemnified amount from the Lessee.

(iii) All amounts payable as indemnities pursuant to this subparagraph (a) shall be payable thirty (30) days after the Lessee shall have received written demand from the Lessor therefor, in the currency in which the relevant Indemnatee suffered the loss relevant to the claim indemnified against hereunder, to the Lessor or if the Lessor so requests directly to the relevant taxing authority on behalf of the Indemnatee. If written claim is made against the Lessor or any Indemnatee for any Taxes which the Lessee is required to pay or indemnify against pursuant to this Section 16.2(a), the Lessor shall promptly notify the Lessee in writing. If reasonably requested by the Lessee in writing, and to the extent that there are means available by which to do so, the Lessor shall in good faith contest (including pursuing administrative appeals) in the name of the Lessor or, if requested by the Lessee, contest in the name of Lessee (or permit the Lessee, if requested by the Lessee, to contest in the name of the Lessee, the Lessor or such Indemnatee) the validity, applicability or amount of such Taxes by (a) resisting payment thereof if practicable, (b) paying the same only under protest, if protest is practicable, and (c) if payment has been made, seeking a refund thereof in appropriate administrative or judicial proceedings, if practicable; provided that (i) prior to taking such action the Lessee shall have agreed to indemnify the Lessor or such Indemnatee while engaged in such contest in a satisfactory manner for all costs and expenses the Lessor may incur in connection with contesting such claim, including, without limitation, all reasonable legal and accountants' fees and disbursements and the amount of any interest or penalties which may be payable as a result of contesting such claim, and shall have acknowledged that the Lessee is obliged to indemnify the Lessor against such Taxes pursuant to this Section 16.2(a), (ii) if such contest is to be initiated by the payment of, and the claiming of a refund for, such Taxes, the Lessee shall have advanced to the Lessor sufficient funds (on an interest-free basis and, if such advance results in taxable income to the Lessor, on an after-tax basis) to make such payment, and (iii) the taking of such action shall have no materially adverse business or tax consequence to the Lessor or its Affiliates in the opinion of a reputable independent tax advisor. The Lessor may elect not to contest pursuant to the preceding sentence, but such election shall constitute a waiver by the Lessor of any right to payment or indemnification pursuant to this

Section 16.2(a) with respect to the adjustment which was the subject of such proposed contest and, if the Lessee has theretofore paid such amount or provided the Lessor with funds to pay such amount, the Lessor shall promptly repay such funds, together with interest thereon at the same rate of interest as that paid, or which would have been paid, by the Lessee in funding such payment of Taxes, to the Lessee. If the Lessor shall obtain a refund of all or any part of any Taxes which the Lessee shall have paid for the Lessor, the Lessor shall, so long as no Default shall have occurred and be continuing, pay to the Lessee an amount which, after subtracting any further Tax savings or benefit realized by the Lessor as the result of the payment thereof is equal to such refund, plus any interest received on such refund fairly attributable to any Taxes paid by the Lessee or with funds provided by the Lessee prior to the receipt of such refund.

16.2 (b) Withholding Tax Indemnity. If any Taxes are required to be deducted or withheld by the Lessee or by any other Person from any payment of Rent required to be made hereunder or under any other Operative Document (hereinafter called in this section "Withholding Taxes"), the Lessee shall promptly notify the Lessor of such Withholding Taxes and the Lessee shall pay to the recipient of such Rent as an indemnity, together with such payment of Rent on the due date thereof, and in the same currency or currencies, at the same place and in the same manner as such payment of Rent is payable: (i) such additional amount as may be necessary in order that the net amount of such payment of Rent received by such recipient on the due date of such payment of Rent, after deduction or withholding of all such Withholding Taxes, will be equal to the full amount of Rent that such recipient would have received if no Withholding Taxes had been deducted or withheld; and (ii) such additional amount as may be necessary to hold the recipient of such Rent harmless on a net after-tax basis taking into consideration tax benefits actually received, if any, from any and all Withholding Taxes which may be payable with respect to or as a result of the payment by the Lessee of the additional amounts referred to in subparagraph (i) above and in this subparagraph (ii); provided, however, that if such tax benefits actually received by the Lessor give rise to a credit the Lessee shall receive a refund to the extent of such credit. In the event that any of the Taxes is withheld by the Lessee, the Lessee shall obtain certificates of payment from the appropriate tax authorities and other documents as the Lessor may reasonably request and shall forthwith transmit such certificates and documents to the Lessor. The Withholding Tax indemnity shall be reduced by (A) any Withholding Taxes caused by a breach by the Lessor of any of its representations, warranties, undertakings or obligations contained herein or in any other Operative Document or an Indemnatee's willful misconduct or negligence, (B) any Withholding Taxes imposed by a jurisdiction

other than Japan as a result of such Indemnatee's presence in or connection to such jurisdiction which presence or connection is unrelated to the transactions contemplated by this Lease or any other Operative Document, (C) Withholding Taxes which are imposed by any country or any taxing authority or governmental subdivision thereof or therein or any international authority except to the extent that such Withholding Taxes would have been imposed had the transactions contemplated by this Agreement and the other Operative Documents been the sole connection between such country, taxing authority, governmental subdivision or international authority and any Indemnatee or (D) Withholding Taxes imposed by the Government of Japan or any taxing authority or governmental subdivision thereof or therein except those Taxes attributable to any breach by the Lessee of its representations, warranties or covenants hereunder or under any Operative Documents or due to the presence, manufacture, use, operation, maintenance, alteration, repair or replacement of the Locomotives, or Part in Japan or the presence of the Lessee, any sublessee or any Affiliate of any of them in Japan. The Lessor agrees to cooperate with all reasonable written requests of the Lessee, at Lessee's cost, to restructure or reorganize the transactions contemplated by this Agreement and the other Operative Documents in order to establish any exemption from, or reduction of, any requirement that any Withholding Tax be deducted or withheld on any payment to be made hereunder or under any other Operative Document and agrees to forward promptly to the Lessee, at Lessee's cost, any documentation reasonably required with respect to such deduction or withholding to the extent reasonably available to the Lessor. The Lessor hereby indemnifies the Lessee from and against any liability or expense resulting from a breach by an Indemnatee of any of its covenants or representations contained or referred to herein or in any other Operative Document.

SECTION 17. EVENTS OF DEFAULT.

17.1. Events of Default. Any one of the following events shall constitute an Event of Default hereunder (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the Lessee shall not have made a payment of Basic Rent, Basic Termination Payment, Special Termination Payment (A), Special Termination Payment (B), Special Termination Payment (C), End-of-Term Purchase Price or Deficiency Payment within 3 Business Days after the same shall have become due hereunder; or

(b) the Lessee shall not have made a payment of any Supplemental Rent (other than the Supplemental Rent set forth in (a) above) within 10 Business Days after the same shall have become due hereunder; or

(c) the Lessee shall fail in any material respect to perform or observe (or cause to be performed or observed) any other material covenant, agreement or warranty to be performed or observed by it hereunder or under any other Operative Document to which it is a party and such failure shall continue unremedied for a period of thirty (30) days after the Lessee shall have received notice thereof from the Lessor with respect to its obligations hereunder or for the applicable grace period contained in such Operative Document; provided, however, that if any such failure is of such a nature that it cannot be corrected within such thirty (30)-day period but is capable of being corrected within a reasonable additional period not in any event in excess of sixty (60) additional days following such thirty (30)-day period such failure shall not constitute an Event of Default so long as (i) the Lessee institutes reasonable curative action within such period and diligently pursues such action to completion, (ii) the failure of the Lessee to take any action within such reasonable additional period will not prejudice the Lessor's rights, title or interest in the Locomotives or this Lease and (iii) such failure shall be fully cured within the sixty (60)-day period; or

(d) any representation or warranty made by the Lessee herein or in any other Operative Document shall at any time prove to have been incorrect in any material respect at the time made or deemed made and, if capable of being remedied, such incorrectness shall remain uncured for thirty (30) days after the Lessee shall have received notice thereof from the Lessor with respect to its obligations hereunder or for the applicable grace period contained in such Operative Document; provided, however, that if any such incorrectness is of such a nature that it cannot be corrected within such thirty (30)-day period but is capable of being corrected within a reasonable additional period not in any event in excess of sixty (60) additional days following such thirty (30)-day period such incorrectness shall not constitute an Event of Default so long as (i) the Lessee institutes reasonable curative action within such period and diligently pursues such action to completion, (ii) the failure of the Lessee to take any action within such reasonable additional period will not prejudice the Lessor's rights, title or interest in the Locomotives or this Lease and (iii) such incorrectness shall be fully cured within the sixty (60)-day period; or

(e) the Lessee shall fail to return the Locomotives in accordance with the provisions of Section 15; or

(f) any action is taken to enforce any security interest granted pursuant to Section 12.2(b) hereof; or

(g) any license, consent, approval or authorization of, or any filing or registration with, any governmental authority or agency necessary for the performance by the Lessee of its obligations under this Agreement or any other Operative Document shall be revoked, not applied for or not issued at an appropriate time or shall cease to remain in full force and such condition shall continue unremedied for a period of ninety (90) days; or

(h) the Lessee shall fail to carry and maintain insurance on or with respect to the Locomotives for the benefit of the Lessor in accordance with the provisions of Section 10 and such failure shall remain unremedied for thirty (30) days from the date such insurance should have been carried or maintained; or

(i) the Lessee shall operate the Locomotives at a time when public liability insurance required by Section 10 hereof shall not be in effect; or

(j) the Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property or Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(k) the Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee in any such proceeding, or the Lessee shall by voluntary petition, answer or consent, seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(l) an order, judgment, or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Lessee, a receiver, trustee or liquidator or the Lessee, and any such order, judgment or decree of appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of 120 days after the date of entry thereof; or

(m) a petition against the Lessee in a proceeding under bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 120 days thereafter, or under the provisions

of any law providing for reorganization or winding-up of corporations which may apply to the Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 120 days; or

(n) a final and conclusive judgment for the payment of money in excess of fifty million dollars (\$50,000,000) or the equivalent in any other currencies shall be rendered against the Lessee and the same shall remain undischarged for a period of ninety (90) days during which execution of such judgment shall not be effectively stayed, or an attachment or attachments or other Lien or Liens shall be issued or entered against any of the property of the Lessee for an amount in excess of fifty million dollars (\$50,000,000) or the equivalent in any other currencies and shall remain undischarged or unbonded for ninety (90) days except when such is being contested in good faith and the Lessee provides the Lessor with reasonable evidence to that effect; or

(o) the concessions, permits, rights or privileges required for the conduct of the business and operations of the Lessee shall be revoked, cancelled or otherwise terminated in any material respect or the free and continued use and exercise thereof curtailed or prevented in any material respect and such revocation shall have a materially adverse effect on the ability of the Lessee to perform its obligations under this Agreement.

17.2 Effect of an Event of Default. (a) Upon the occurrence of any Event of Default after the delivery of the Locomotives to the Lessee as set forth in Section 2.2 and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare this Agreement to be in default by giving a written notice to the Lessee, in which notice the Lessor shall specify as the Termination Date a day not earlier than the fifteenth (15th) day from the date of such notice; and at the request of the Lessor the Lessee shall promptly deliver the Locomotives into custody for the account of the Lessor, in accordance with Section 15 hereof and with the Lessor's instructions, to be held, at the Lessee's expense, by a custodian appointed by the Lessor pending disposition in accordance with this Section 17.2. If the Lessee fails to so deliver the Locomotives into custody, the Lessor may, at its option and at the Lessee's expense, enter upon the premises where the Locomotives are located and take immediate possession of and remove the same (or render the same inoperable without damage to them until such time as the Locomotives can be disposed of by the terms hereof) all without liability accruing to the Lessor or its agent for or by reason of such entry or

taking of possession, whether for restoration of damage to property caused by such taking or otherwise; provided that, upon notice by the Lessee to the Lessor within fifteen (15) days after a declaration of default by the Lessor, the Lessee may, at its option, purchase the Locomotives from the Lessor by paying to the Lessor on or before the Termination Date (i) the Basic Termination Payment, (ii) the Special Termination Payment (A) and (iii) any and all other amounts of Rent then due and payable as of such Termination Date, and any and all costs and expenses (including without limitation legal expenses) properly incurred by the Lessor in connection with the Event of Default or in connection with such sale.

(b) If the Lessee exercises its option to purchase the Locomotives as set forth in Section 17.2(a) above and the Lessor receives, on or before the Termination Date, all payments set forth in Section 17.2(a)(i), (ii) and (iii) above, then, on the Termination Date: (i) this Lease shall terminate, (ii) the obligation of the Lessee to pay Basic Rent for the period after the Termination Date shall cease, and (iii) the Lessor shall, without recourse, representation or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to the Lessee all of the Lessor's right, title and interest in and to the Locomotives, free and clear of all Lessor's Liens, in "as-is, where-is" condition and shall, at the Lessee's expense, execute and deliver to the Lessee such documents and instruments (including, without limitation, a bill of sale) as the Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to the Locomotives in the Lessee, free and clear of all right, title and interest of the Lessor and any Lessor's Liens. If the Lessor has not received all payments set forth in this Section 17.2 on or prior to the Termination Date, then so long as such payments are received within the grace period set forth in Section 15.1(a) hereof and no Default has occurred and is continuing, the events described in subparagraphs (i), (ii) and (iii) of the preceding sentence shall occur on the date payment from the Lessee is received by the Lessor. In no event shall any right, title or interest in or to the Locomotives be deemed to have been transferred to the Lessee prior to receipt by the Lessor in full of all payments set forth in Section 17.2(a)(i), (ii) and (iii) above.

(c) In the event that the Lessee does not exercise its option as set forth in Section 17.2(a) above to purchase the Locomotives on the Termination Date or does not comply with all of the provisions of Section 17.2(a) above:

(i) The Lessee shall pay to the Lessor, on the Termination Date, the amounts set forth in Section 17.2(a)(i), (ii) and (iii) above;

(ii) If, on or before the Termination Date, the Lessor receives all payments set forth in Section 17.2(a)(i), (ii) and (iii) above, this Lease shall terminate on the Termination Date, and the obligation of the Lessee to pay Basic Rent for the period after the Termination Date shall cease; and

(iii) On or after the Termination Date, the Lessor may sell, at its option, at public or private sale to any person (including, without limitation the Lender or any Affiliate of the Lender or the Lessor) or otherwise dispose of the Locomotives or any Part, at any time after the Termination Date, free and clear of any rights of the Lessee or any other person. If the Lessor is unable to sell the Locomotives or any Part within ninety (90) days after the Termination Date, the Lessor shall promptly obtain the appraisal of an appraiser of recognized standing with regard to locomotive equipment as to the fair market value of such unsold item. If the proceeds of the sale or disposition or the amount of such appraised value of such unsold items exceed (after deducting any and all costs and expenses (including without limitation Taxes and legal fees and advertising costs) properly incurred by the Lessor in connection with any Event of Default and in connection with such sale, disposition or appraisal, as the case may be, and any amounts of Rent due and payable as of the date of such sale, disposition or appraisal, as the case may be) the full amount of the payment required under Section 17.2(c)(i), the Lessor shall refund to the Lessee an amount up to a maximum amount equal to the aggregate amount paid by the Lessee pursuant to Section 17.2(c)(i). If any amount is remaining after such refund has been made to the Lessee, the Lessor shall be entitled to retain such excess.

(d) To the extent permitted by applicable law, the Lessor shall be entitled to injunctive relief in the case of any breach or attempted or threatened breach by the Lessee of any provision of this Lease or any other Operative Document, and to a decree compelling observance or specific performance of each provision of this Lease or any other Operative Document, and to any damages incurred by the Lessor in connection with any liability of the Lessor to, or any claim against the Lessor by, the Lender under the Loan Agreement as a result of the Lessee's breach of any provision hereof or of any other Operative Document, and to any other legal or equitable remedy. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any other Event of Default. The failure of the Lessor to insist upon the strict performance of any provision, or to exercise any right, power, privilege or remedy contained or referred to

in this Lease or in any other Operative Document, shall not be construed as a waiver or a relinquishment thereof for the future. Receipt by the Lessor of any Rent payable hereunder with knowledge of the breach of any provision contained in this Lease or in any other Operative Document shall not constitute a waiver of such breach. The rights, powers, privileges and remedies referred to in this Section 17.2 shall not be exclusive but shall be in addition to any other rights, powers, privileges and remedies available to the Lessor at law or in equity. From the date of any declaration of a default given by the Lessor, the Lessee shall, if it does not exercise its option to purchase the Locomotives, render, free of charge, such assistance to the Lessor in the sale or other disposition of the Locomotives as the Lessor shall reasonably request.

SECTION 18. ASSIGNMENT.

18.1. Binding Effect. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

18.2. Assignment. Except as provided in Section 12.2(b), neither party may assign any of its rights or obligations hereunder without the prior written consent of the other party which consent shall not be unreasonably withheld, provided expressly that the Lessor may assign or otherwise transfer, in whole or in part, for security purposes and create a security interest in, all or any part of its rights hereunder to or for the benefit of the Lender.

18.3 Registered Agreement. This Lease is a registered agreement. A manually signed copy of this Lease and each Lease Supplement shall be the only evidence of Lessor's rights as between the Lessor and the Lessee and neither the Lease nor any Lease Supplement is a bearer instrument. The Lessee will keep the Lessee's record of ownership (the "Lessee's Record of Ownership") in which it will reflect by book entry any transfer of, the Lessor's interest in the Locomotives, in this Lease and in the rights to receive any payments hereunder.

No transfer by the Lessor (whether or not with the Lessee's consent) of any interest in the Locomotives, this Lease or in the rights to receive any payments hereunder shall be permitted unless a book entry of such transfer is made upon the Lessee's Record of Ownership. The Lessor may transfer its interest in the Locomotives, this lease and the rights to receive any payments hereunder only by written application to the Lessee, stating the name of the proposed transferee and otherwise complying with the terms of the Operative Documents.

No such transfer shall be effective until, and such transferee shall succeed to the rights of the Lessor only upon, final acceptance and entry by Lessee into the Lessee's Record of Ownership of the transfer.

Prior to the entry by the Lessee into the Lessee's Record of Ownership of any transfer by the Lessor (or any successor to the Lessor) as provided in the immediately preceding paragraph, the Lessee may deem and treat the owner of this Lease, or any portion hereof, reflected in the Lessee's Record of Ownership as the owner hereof or thereof, as the case may be, for all purposes.

The Lessee acknowledges that the rights of the Lessor to receive certain payments hereunder have been pledged to the Lender (and such acknowledgment constitutes final acceptance of such transfer). The Lessee acknowledges that it has made an entry of such pledge in the Lessee's Record of Ownership.

SECTION 19. FURTHER UNDERTAKINGS.

19.1. Further Acts. Each party shall cause to be done, executed, acknowledged and delivered all and every such further acts, conveyances and assurances as the other party shall reasonably require or request or as any governmental authority shall require or request for accomplishing the purposes of this Agreement and the other Operative Documents, and shall promptly furnish to the other party such information as may be reasonably required to enable the other party to make any filing required to be made by it with any governmental authority in a timely fashion.

19.2. Interest of the Lessor. The Lessee shall, at its own expense, take such steps which are necessary or appropriate to perfect or keep perfected the interest of the Lessor created or intended to be created with respect to the rights of the Lessor under this Agreement.

19.3. Necessary Consents, etc. At all times during the Lease Term, each party shall obtain, make and maintain in full force and effect, promptly renew from time to time and comply in all material respects with the terms of, all consents, permissions, licenses, authorizations, approvals, registrations and filings which may from time to time be required in order to enable it to perform its obligations hereunder or for the enforceability or admissibility in evidence hereof.

19.4. Compliance with Laws. At all times during the Lease Term, the Lessee shall comply in all material respects with all laws and regulations from time to time in force with respect to

the Locomotives in the country having jurisdiction with respect thereto.

19.5. Information and Reports. The Lessee undertakes that throughout the Lease Term:

(a) the Lessee shall furnish to the Lessor, within 140 days after the end of each of the fiscal year, the annual report on Form 10-K of its consolidated group, including the audited consolidated balance sheet and consolidated statements of income in respect of such fiscal year with such additional financial and other information as the Lessor may from time to time reasonably require with respect to the Locomotives or the business or affairs of the Lessee;

(b) the Lessee shall give notice to the Lessor of the occurrence of any Default forthwith upon becoming aware thereof.

19.6. Notice of Materially Adverse Events. Each party shall promptly inform the other party of any material fact, condition or threatened event that, in the reasonable opinion of that party, may have a materially adverse effect on such party's ability to perform any of its obligations under this Lease or any other Operative Document.

19.7. Notice of Proceedings. Promptly upon its becoming aware of the same, each party shall give notice to the other party and the Lender of the commencement of any claim, litigation, arbitration or administrative proceeding which would or could materially and adversely affect the notifying party's ability to perform its obligations hereunder.

19.8. Cooperation. Each party shall, at the request of the other party, cooperate with the requesting party to the extent the other party's cooperation is necessary in order for requesting party to exercise its rights and fulfill its obligations hereunder. The requesting party shall reimburse the other party for any expense properly incurred as a result of a request received hereunder.

19.9. Forwarding of Government Notice. Each party shall promptly forward to the other party a copy of any notice relating to either party's obligations hereunder with respect to the Locomotives received by the other party from any governmental authority.

SECTION 20. COSTS AND EXPENSES.

20.1. Reimbursement of Non-Breaching Party Expenses. If any party is in breach of this Agreement or any other Operative

Document to which it is a party, the breaching party shall reimburse the non-breaching party in full on demand for all reasonable costs and expenses (including without limitation legal expenses) incurred by the non-breaching party in suing for and recovering any sum due under this Agreement or such Operative Document to which it is a party or in exercising any of its respective rights under or in enforcing this Agreement or such Operative Document or incurred as a result of any such breach as aforesaid. The parties agree that all costs and expenses incurred in preparation and consummation of the transactions contemplated by this Lease and the other Operative Documents and the costs of closing the transaction shall be for the account of the party incurring such costs (for the avoidance of doubt, the costs of the appraisal referred to in Section 6.2(o) shall be for the account of the Lessee).

20.2. Delayed Delivery. If the Delivery Date specified in the notice of Lessee under Section 2.2 of this Lease (the "Scheduled Delivery Date") is postponed or cancelled by the Lessee and/or the Manufacturer for any reason whatsoever in accordance with the terms thereof other than as a result of the failure by the Lessor to satisfy a condition precedent required to be satisfied by Lessor hereunder or under any Operative Document, the Lessee shall reimburse, indemnify and hold harmless the Lessor or each Kumiai-in on demand, in the currency designated by the Lessor, for all reasonable costs, losses, expenses and liabilities, including funding costs, loss of anticipated tax benefits to the Lessor and costs incurred as a result of entering into foreign exchange contracts (hereinafter collectively referred to as "Costs" for the purpose of this Section 20.2) incurred by the Lessor or any Kumiai-in (as determined by the Lessor and certified to the Lessee) as a result of the postponement or cancellation of the Scheduled Delivery Date. Provided, that the parties shall each use their best efforts to cooperate in devising methods to minimize Costs, and, in the event that the same shall arise, to mitigate Costs and provided, further, that such postponement or cancellation of the Scheduled Delivery Date is due to the misconduct or negligence of the Lessee.

20.3. Non-Exclusive Rights. The rights, powers, privileges and remedies referred to in this Section 20 shall not be exclusive but shall be in addition to any other rights, powers, privileges and remedies available at law, in equity or otherwise.

SECTION 21. INSPECTION.

The Lessee shall arrange or cause to be arranged that, at all reasonable times after reasonable notice, the Lessor or its

authorized representatives may, during the normal business hours of the Lessee, inspect the Locomotives or any part thereof and the logs, books and other records of the Lessee relative thereto and make and retain copies thereof; provided, however, that such inspection shall not interfere with the Lessee's quiet, peaceful use and enjoyment thereof. The Lessor shall have no duty to make any such inspection, and the Lessor shall not incur any liability, obligation or other detriment by reason of not making any such inspection.

SECTION 22. NOTICES AND LANGUAGE.

22.1. Notices. All notices, requests, demands or other communications required or permitted to be made hereunder to or upon any party hereto shall be made by one of the following means and in English and shall be deemed to have been duly given or made:

(a) at the time of delivery to a duly authorized person, if delivered by hand; or

(b) upon confirmation by telephone when sent by facsimile or upon receipt of telex answerback when sent by telex.

Such notices, requests, demands or other communications shall be dispatched to or given at:

(i) If to the Lessee:

Address: Martin Tower
Eighth and Eaton Avenues
Bethlehem, PA 18018
U. S. A.

Attention: Treasurer

Telex Number: 710-670-0007

Answerback: UPCORP NYK

Facsimile: (215) 861-3220

Telephone: (215) 861-3200

(ii) If to the Lessor:

Address: c/o Showa Leasing Co., Ltd.
Kyowa Aoyama Building
10-43, Minami-Aoyama 3-chome
Minato-ku, Tokyo
Japan

Attention: Representative Director

Telex Number: J25689
Answerback: SLCTOKJ

Facsimile: 81-3-403-3190

Telephone: 81-3-403-3121

or such other addresses or numbers as either the Lessor or the Lessee may specify by notice to the other.

22.2. Language. All documents, notices, communications, evidence, reports, opinions and other documents given or to be given under this Agreement shall be made in the English language or shall be accompanied by an English translation for each copy of the foregoing so given; provided that the English version of all such documents, notices, communication, evidences, reports, opinions and other documents shall, to the extent permitted by applicable law, govern in the event of any conflict with the non-English version thereof.

SECTION 23. LESSOR'S RIGHTS TO PERFORM FOR LESSEE.

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may upon prior written notice to the Lessee, but shall not be obligated to, cure such non-performance or non-compliance with such agreement, and the amount of the costs and expenses (including but not limited to legal costs and expenses) of the Lessor incurred in connection with the performance of or compliance with such agreement, together with interest thereon at the same rate as referred to in Section 5.2, shall be payable to the Lessor by the Lessee upon demand.

SECTION 24. APPLICABLE LAW AND JURISDICTION.

24.1. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Japan.

24.2. Forums and Venue. Any action arising out of or relating to this Agreement or any other Operative Document may be instituted by the Lessor or the Lessee in any competent court of Japan to the non-exclusive jurisdiction of which the Lessee and the Lessor hereby expressly submit. The Lessee hereby designates the Far East Sales Manager (Tokyo), Union Pacific Railroad Company, presently located at 4th Floor, Satoh Building 1-19-4, Hamamatsu-cho, Minato-ku, Tokyo 105, Japan, to receive process that may be served in any suit or proceeding arising out of or relating to this Agreement or any other Operative Document which may be instituted by any competent court of Japan by the Lessor. Each of the Lessee and the Lessor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought in the aforesaid courts, and hereby further irrevocably waives any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

SECTION 25. ALTERATIONS TO AGREEMENT.

25.1. Entire Agreement. This Agreement contains the entire agreement between the parties as of the date hereof and supersedes any and all previous understandings, commitments, agreements or representations whatsoever, whether oral, written or implied, between the parties with respect to the subject matter hereof, with the sole exception of the other Operative Documents.

25.2. Amendment. This Agreement shall not be varied except by an instrument in writing of even date herewith or subsequent hereto executed by all the parties through their duly authorized representatives.

SECTION 26. NONDISCLOSURE OF INFORMATION

The parties mutually acknowledge and agree that each party shall not disclose any information obtained in relation to the transactions contemplated under this Lease unless otherwise required by the laws of the relevant jurisdictions. Information means any secrets, including but not limited to, economic, financial, commercial, business and administrative matters in relation to the parties hereto. The obligations contained in this Section 26 shall remain in full force and effect during the life of this Agreement and for a period of five (5) years following the date on which the termination of this Agreement occurs.

SECTION 27. CURRENCY INDEMNITY.

All payments referred to herein shall be denominated in Yen unless otherwise indicated in the relevant Section, Schedule or Exhibit hereof setting forth such payment. This is an international transaction in which the specification of the currency of payments is of the essence. Any payment or payments made to or for the account of the party receiving such payments under the terms hereof (the "Payee") in a currency (the currency in which the relevant payment is made being hereinafter referred to as the "Relevant Currency") other than the respective currency agreed hereunder (the "Agreed Currency") for any reason (pursuant to a judgment or order of a court or tribunal of any jurisdiction or otherwise) shall only constitute a discharge of the party making such payment (the "Payor") to the extent of the Agreed Currency amount which the Payee is able, on the date or dates of receipt by the Payee of such payment or Payments in the Relevant Currency or, in the case of any such date which is not a Business Day, on the next succeeding Business Day), to purchase in Tokyo (if the Payee is the Lessor) or in New York (if the Payee is the Lessee) with the amount or amounts so received by the Payee on such date or dates. If the Agreed Currency amount which the Payee is so able to purchase falls short of the Agreed Currency amount originally due to the Payee under this Agreement, the Payor shall indemnify and hold the Payee harmless against any loss or damage arising as a result. This indemnity shall constitute a separate and independent obligation from the other obligations contained in this Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Payee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of the amounts due hereunder or under any such judgment or order.

SECTION 28. MISCELLANEOUS.

28.1 Severability. Except as otherwise provided herein, should any one or more provisions of this Agreement be determined to be illegal or unenforceable by a court of any applicable jurisdiction, such provisions shall, as to such jurisdiction, be ineffective to the extent of such illegality or enforceability, without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction and the Lessee and the Lessor agree, as to such jurisdiction, to replace any provision of this Agreement which is so determined to be illegal or unenforceable by a valid provision which has as nearly as possible the same effect.

28.2 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

28.3 Appointment of Limited Agent. The Lessor appoints and constitutes the Lessee as its limited agent and attorney during the Lease Term, so long as the Lessee shall not be in default hereunder, to assert from time to time in the name of the Lessor but for the benefit of the Lessee whatever claims and rights (including warranties and guarantees) the Lessor may have against the Manufacturer or any suppliers of the Locomotives. The Lessee hereby indemnifies the Lessor against all claims, demands, liabilities, losses and expenses incurred or sustained by the Lessor as a result of any act, matter or thing done by the Lessee in exercising the powers conferred on the Lessee under this Section 28.3.

28.4 Primary Liability and Substitute Performance. If any obligation required hereunder to be performed by the Lessee shall be performed by any sublessee or any other third party on behalf of the Lessee, such performance by such party shall constitute performance thereof hereunder; provided that the Lessee shall remain primarily liable for the due performance of all its obligations hereunder except as otherwise provided in any Operative Document.

28.5 No Waiver. The failure of either party to exercise or enforce at any time, or for any period of time, any of its rights under this Agreement or any other Operative Document shall not be deemed a waiver of those rights nor shall such failure preclude such party from subsequently exercising or enforcing those rights. No waiver shall be binding unless executed in writing by the party making the waiver. No waiver by either party of one's breach of any covenant, obligation or provision in this Lease contained or implied shall operate as a waiver of another breach of the same or of any other covenant, obligation or provision in this Lease contained or implied.

28.6 Survival of Obligations. All obligations of the Lessee to pay any Rents which are due and unpaid on the date of expiration or earlier termination of the Lease Term, all obligations to pay other Rent with respect to all acts, events, facts, conditions or other circumstances arising or existing during the Lease Term, and all other rights privileges and obligations of the Lessee and the Lessor hereunder shall survive the expiration or earlier termination of the Lease Term, the expiration or earlier termination of any other Operative Document and any transfer of the Locomotives or any Part or any interest therein by the Lessee or the Lessor to any other person.

IN WITNESS WHEREOF the duly authorized representatives of the parties hereto have executed this Agreement as of the day and year first above written.

Lessee:

UNION PACIFIC RAILROAD COMPANY

By



Name: John B. Larsen

Title: Assistant Treasurer

Lessor:

SLUP LOCOLEASE (ONE), CO., LTD.

By



Name: Tsutomu Itoh

Title: Director

CORPORATE FORM OF ACKNOWLEDGEMENT

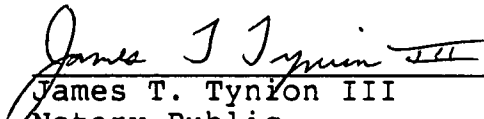
STATE OF NEW YORK

SS:

COUNTY OF NEW YORK

On this 7th day of August, 1989 before me personally appeared, Tsutomu Itoh, to me personally known, who being by me duly sworn, says that he is a Director of SLUP LocoLease (One) Co., Ltd., a Japanese corporation, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]


James T. Tynion III
Notary Public

JAMES T. TYNION III
Notary Public, State of New York
No. 31-4940775
Qualified in New York County
Commission Expires July 18, 1990

CORPORATE FORM OF ACKNOWLEDGEMENT

STATE OF NEW YORK

SS:

COUNTY OF NEW YORK

On this 7th day of August, 1989 before me personally appeared, John B. Larsen, to me personally known, who being by me duly sworn, says that he is an Assistant Treasurer of Union Pacific Railroad Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]

James T. Tynion III
James T. Tynion III
Notary Public

JAMES T. TYNION III
Notary Public, State of New York
No. 31-4940775
Qualified in New York County
Commission Expires July 18, 1990

SCHEDULE A
TO
LEASE AGREEMENT

LEASE SUPPLEMENT dated as of _____, 1989.

BETWEEN:

- (1) SLUP LOCOLEASE (ONE) CO., LTD., a corporation organized and existing under the laws of Japan (the "Lessor"); and
- (2) UNION PACIFIC RAILROAD COMPANY, a corporation organized and existing under the laws of the State of Utah, United States of America ("the Lessee").

WHEREAS:

(A) The Lessor and the Lessee have entered into a Lease Agreement dated as of August 7, 1989 (the "Lease"). The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of leasing the Locomotives by the Lessor thereunder.

(B) This Lease Supplement is intended to record the leasing of such Locomotives by the Lessor and the Lessee under the terms of the Lease.

IT IS AGREED as follows:

1. All terms used herein with an initial capital letter which are defined in the Lease and not otherwise defined herein shall, except where the context otherwise requires, have the meanings assigned to them in the Lease.
2. The Lessor hereby delivers and leases to the Lessee under the Lease, and the Lessee hereby accepts and leases from the Lessor under the Lease, the Locomotives described on Annex 1 hereto.
3. The Delivery Date of the Locomotives is the date of this Lease Supplement.
4. The First Rent Payment Date will be _____, 1990.
5. The Specified Yen Exchange Rate shall be the offered rate at which National Westminster Bank PLC, Tokyo Branch offers to sell United States Dollars against Japanese Yen in the Tokyo Interbank Foreign Exchange Market on a spot basis at 11:00 a.m. (Tokyo time) for value on the effective date [____], 1989.

6. The Lessee hereby confirms to Lessor that Lessee has accepted the Locomotives for all purposes of the Lease.

7. The Specified Loan Rate is ____% per annum computed semi-annually calculated on the basis of twelve 30-day months and the actual number of days elapsed.

8. The Lessee hereby confirms its agreement to pay Rent for the Locomotives in accordance with the terms of Section 4 of the Lease.

9. The terms and conditions of the Lease shall be incorporated herein as though set out in full.

10. This Lease Supplement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the duly authorized representatives of the parties hereto have executed this Lease Supplement as of the day and year first above written.

LESSOR:

SLUP LOCOLEASE (ONE) CO., LTD.

By _____
Name:
Title:

LESSEE:

UNION PACIFIC RAILROAD COMPANY

By _____
Name:
Title:

CORPORATE FORM OF ACKNOWLEDGEMENT

STATE OF NEW YORK

ss:

COUNTY OF NEW YORK

On this _____ day of August, 1989 before me personally appeared, Tsutomu Itoh, to me personally known, who being by me duly sworn, says that he is a Director of SLUP LocoLease (One) Co., Ltd., a Japanese corporation, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]

James T. Tynion III public
Notary Public

CORPORATE FORM OF ACKNOWLEDGEMENT

STATE OF NEW YORK

SS:

COUNTY OF NEW YORK

On this _____ day of August, 1989 before me personally appeared, John B. Larsen, to me personally known, who being by me duly sworn, says that he is an Assistant Treasurer of Union Pacific Railroad Company, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]

James T. Tynion
Notary Public

ANNEX 1 TO
LEASE SUPPLEMENT

<u>Locomotive No.</u>	<u>Serial No.</u>	<u>Purchase Price</u>	<u>Delivery Date</u>
1. UP6129	886015-20	\$1,267,185	August 10, 1989
2. UP6133	886015-24	\$1,267,185	August 10, 1989
3. UP6135	886015-26	\$1,267,185	August 10, 1989
4. UP6139	886015-30	\$1,267,185	August 10, 1989
5. UP6142	886015-33	\$1,274,985	August 10, 1989
6. UP6144	886015-35	\$1,274,985	August 10, 1989
7. UP6146	886015-37	\$1,274,985	August 10, 1989
8. UP6148	886015-39	\$1,274,985	August 10, 1989
9. UP6151	886015-42	\$1,274,985	August 10, 1989
10. UP6153	886015-44	\$1,274,985	August 10, 1989
11. UP6160	886023-1	\$1,307,885	August 10, 1989
12. UP6161	886023-2	\$1,307,885	August 10, 1989
13. UP6162	886023-3	\$1,307,885	August 10, 1989
14. UP6163	886023-4	\$1,307,885	August 10, 1989
15. UP6164	886023-5	\$1,307,885	August 10, 1989
16. UP6165	886023-6	\$1,307,885	August 10, 1989
17. UP6166	886023-7	\$1,307,885	August 10, 1989
18. UP6167	886023-8	\$1,307,885	August 10, 1989
19. UP6168	886023-9	\$1,307,885	August 10, 1989
20. UP6169	886023-10	\$1,307,885	August 10, 1989
21. UP6170	886023-11	\$1,307,885	August 10, 1989
22. UP6171	886023-12	\$1,307,885	August 10, 1989
23. UP6172	886023-13	\$1,307,885	August 10, 1989
24. UP6173	886023-14	\$1,307,885	August 10, 1989
25. UP6174	886023-15	\$1,307,885	August 10, 1989
26. UP6175	886023-16	\$1,307,885	August 10, 1989
27. UP6176	886023-17	\$1,307,885	August 10, 1989
28. UP6177	886023-18	\$1,307,885	August 10, 1989
29. UP6178	886023-19	\$1,307,885	August 10, 1989
30. UP6179	886023-20	\$1,307,885	August 10, 1989
31. UP6180	886023-21	\$1,307,885	August 10, 1989
32. UP6181	886023-22	\$1,307,885	August 10, 1989
33. UP6182	886023-23	\$1,307,885	August 10, 1989
34. UP6183	886023-24	\$1,307,885	August 10, 1989
35. UP6185	886023-26	\$1,307,885	August 10, 1989
36. UP6186	886023-27	\$1,307,885	August 10, 1989
37. UP6188	886023-29	\$1,307,885	August 10, 1989
38. UP6189	886023-30	\$1,307,885	August 10, 1989
39. UP6190	886023-31	\$1,307,885	August 10, 1989
40. UP6191	886023-32	\$1,307,885	August 10, 1989
41. UP6193	886023-34	\$1,307,885	August 10, 1989
42. UP6195	886023-36	\$1,307,885	August 10, 1989

<u>Locomotive No.</u>	<u>Serial No.</u>	<u>Purchase Price</u>	<u>Delivery Date</u>
43. UP6197	886023-38	\$1,307,885	August 10, 1989
44. UP6199	886023-40	\$1,307,885	August 10, 1989
45. UP6202	886023-43	\$1,307,885	August 10, 1989
46. UP6204	886023-45	\$1,307,885	August 10, 1989
47. UP6206	886023-47	\$1,307,885	August 10, 1989
48. UP6213	886036-4	\$1,307,885	August 10, 1989
49. UP6214	886036-5	\$1,307,885	August 10, 1989
50. UP6215	886036-6	\$1,307,885	August 10, 1989
	TOTAL	<u>\$65,034,050</u>	

SCHEDULE AA
TO
LEASE AGREEMENT

LIST OF LOCOMOTIVES

<u>Locomotive No.</u>	<u>Serial No.</u>	<u>Purchase Price</u>
1. UP6129	886015-20	\$1,267,185
2. UP6133	886015-24	\$1,267,185
3. UP6135	886015-26	\$1,267,185
4. UP6139	886015-30	\$1,267,185
5. UP6142	886015-33	\$1,274,985
6. UP6144	886015-35	\$1,274,985
7. UP6146	886015-37	\$1,274,985
8. UP6148	886015-39	\$1,274,985
9. UP6151	886015-42	\$1,274,985
10. UP6153	886015-44	\$1,274,985
11. UP6160	886023-1	\$1,307,885
12. UP6161	886023-2	\$1,307,885
13. UP6162	886023-3	\$1,307,885
14. UP6163	886023-4	\$1,307,885
15. UP6164	886023-5	\$1,307,885
16. UP6165	886023-6	\$1,307,885
17. UP6166	886023-7	\$1,307,885
18. UP6167	886023-8	\$1,307,885
19. UP6168	886023-9	\$1,307,885
20. UP6169	886023-10	\$1,307,885
21. UP6170	886023-11	\$1,307,885
22. UP6171	886023-12	\$1,307,885
23. UP6172	886023-13	\$1,307,885
24. UP6173	886023-14	\$1,307,885
25. UP6174	886023-15	\$1,307,885
26. UP6175	886023-16	\$1,307,885
27. UP6176	886023-17	\$1,307,885
28. UP6177	886023-18	\$1,307,885
29. UP6178	886023-19	\$1,307,885
30. UP6179	886023-20	\$1,307,885
31. UP6180	886023-21	\$1,307,885
32. UP6181	886023-22	\$1,307,885
33. UP6182	886023-23	\$1,307,885
34. UP6183	886023-24	\$1,307,885
35. UP6185	886023-26	\$1,307,885
36. UP6186	886023-27	\$1,307,885
37. UP6188	886023-29	\$1,307,885
38. UP6189	886023-30	\$1,307,885
39. UP6190	886023-31	\$1,307,885
40. UP6191	886023-32	\$1,307,885
41. UP6193	886023-34	\$1,307,885
42. UP6195	886023-36	\$1,307,885

<u>Locomotive No.</u>	<u>Serial No.</u>	<u>Purchase Price</u>
43. UP6197	886023-38	\$1,307,885
44. UP6199	886023-40	\$1,307,885
45. UP6202	886023-43	\$1,307,885
46. UP6204	886023-45	\$1,307,885
47. UP6206	886023-47	\$1,307,885
48. UP6213	886036-4	\$1,307,885
49. UP6214	886036-5	\$1,307,885
50. UP6215	886036-6	\$1,307,885
	TOTAL	<u>\$65,034,050</u>

SCHEDULE B
TO
LEASE AGREEMENT

The attached Exhibits 1, 2, 3, 4, 5, 6 and 7 set out the amounts of the Basic Rent, Basic Termination Payment, Special Termination Payment (A), Special Termination Payment (B), Special Termination Payment (C), End-of-Term Purchase Price, and Deficiency Payment, respectively, that shall be payable for the Locomotives.

All such amounts have been calculated and determined on the basis of the following assumptions:

- (a) the description of the Locomotives set forth herein is true and correct;
- (b) the Delivery Date with respect to the Locomotives will occur on August 10, 1989; and
- (c) the Specified Loan Rate is 8.95% per annum compounded semi-annually.

If any such assumption shall prove to be incorrect in any respect at any time prior to the Delivery Date, the Lessor shall adjust any or all of the Rent amounts, dates and time periods set forth in this Schedule B so as to preserve the Lessor's after-tax yield and profits from the transactions contemplated by the Operative Documents, using the same methods and assumptions as were used by the Lessor in originally calculating the Rent amounts and determining such dates and time periods and evaluating its investment in the Locomotives except as modified to the extent necessary to account for the change in circumstances giving rise to such adjustment. The Lessor shall promptly provide to the Lessee, on or before the Delivery Date, the revised Schedule B setting forth such revised Rent amounts, dates and periods so calculated, which shall be attached to the Lease Supplement and shall replace the then existing Schedule B.

EXHIBIT 1

BASIC RENT

Basic Rent shall be payable (i) in Dollars and (ii) in Yen on each of the Rent Payment Dates as set out below.

Basic Rent as set out below is expressed as a percent of Purchase Price.

Dollar Amounts shall be determined by multiplying the respective percentage times the Purchase Price.

Yen amounts shall be determined by multiplying the respective percentage times the product of the Purchase Price and the Specified Yen Exchange Rate.

SCHEDULE B
EXHIBIT 1 TO THE
LEASE AGREEMENT

BASIC
RENT SCHEDULE

RENT PAYMENT DATE	US \$ PORTION (% OF PURCHASE PRICE)	YEN PORTION (% OF PURCHASE PRICE)
-----	-----	-----
2/10/1990	3.580000	1.956752
8/10/1990	3.580000	1.956752
2/10/1991	4.743589	0.793163
8/10/1991	5.536752	0.000000
2/10/1992	5.536752	0.000000
8/10/1992	5.536752	0.000000
2/10/1993	5.536752	0.000000
8/10/1993	5.536752	0.000000
2/10/1994	5.536752	0.000000
8/10/1994	5.536752	0.000000
2/10/1995	5.536752	0.000000
8/10/1995	5.536752	0.000000
2/10/1996	5.536752	0.000000
8/10/1996	5.536752	0.000000
2/10/1997	5.536752	0.000000
8/10/1997	5.536752	0.000000
2/10/1998	5.536752	0.000000
8/10/1998	5.536752	0.000000
2/10/1999	5.536752	0.000000
8/10/1999	5.377585	0.159167
2/10/2000	3.714844	1.821908
8/10/2000	4.036959	1.499792
2/10/2001	3.535532	2.001220
8/10/2001	3.786246	1.750506
2/10/2002	3.346221	2.190531
8/10/2002	3.566233	1.970518
2/10/2003	3.161038	2.375714
8/10/2003	11.512724	4.024028

EXHIBIT 2

BASIC TERMINATION PAYMENT

In the event of a termination of the Lease Agreement pursuant to Sections 11, 13 or 17, the Basic Termination Payment due and payable to Lessor under Section 11, 13 or 17, as the case may be, (x) shall be the aggregate of (i) the amount of U.S. Dollars computed with reference to the relevant Termination Date in accordance with the provisions of Paragraph A below, and (ii) the amount of Yen computed with reference to the same Termination Date by converting into Yen at the Specified Yen Exchange Rate the amount of U.S. Dollars computed in accordance with the provisions of Paragraph B below, and (y) shall be paid in a lump sum on the date set for payment thereof pursuant to Section 11, 13 or 17, as the case may be.

A. Computation of U.S. Dollar Amounts. The portion of Basic Termination Payment payable in U.S. Dollars with respect to any Termination Date shall be an amount determined by reference to the days of the months (each, a "Monthly Date") set forth in the table below and calculated by multiplying the appropriate percentage calculated as provided below by the Purchase Price for the applicable Locomotives. The appropriate percentage shall be determined as follows:

(i) if the Termination Date occurs on a Monthly Date and such date is not a Rent Payment Date, the appropriate percentage shall be the percentage listed in Column A1 opposite such date;

(ii) if the Termination Date occurs on a Monthly Date and such date is a Rent Payment Date, the appropriate percentage shall be the percentage listed in Column A2 opposite such date (which percentage is equal to the sum of (x) the percentage listed in Column A1 opposite such date and (y) the portion of Basic Rent (expressed as a percentage of Purchase Price) due and payable in U.S. Dollars on such Rent Payment Date as set forth in Schedule B, Exhibit 1 to the Lease;

(iii) if the Termination Date occurs on a date (other than a Monthly Date or a Rent Payment Date) in a Lease Period, (i.e., the period between Monthly Dates) the last day of which is a Rent Payment Date, the appropriate percentage shall be the percentage obtained by (w) subtracting the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 from the percentage listed opposite the Monthly Date immediately following such Termination Date in Column A2, (x) dividing the difference computed in (w) above by the number of days from and including the Monthly Date immediately preceding such Termination Date to

but excluding the Monthly Date immediately succeeding such Termination Date, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from and including the Monthly Date immediately preceding such Termination Date to but excluding such Termination Date, and (z) adding the product computed in (y) above to the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column A1; or

(iv) if the Termination Date occurs on a date other than a Monthly Date, a Rent Payment Date or a date specified in clause (iii) of this Paragraph A, the appropriate percentage shall be the percentage obtained by (w) subtracting the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 from the percentage listed opposite the Monthly Date immediately following such Termination Date in Column A1, (x) dividing the difference computed in (w) above by the number of days from and including the Monthly Date immediately preceding such Termination Date to but excluding the Monthly Date immediately succeeding such Termination Date, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from and including the Monthly Date immediately preceding such Termination Date to but excluding such Termination Date and (z) adding the product computed in (y) above to the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column A1.

B. Computation of Yen Amounts. The portion of Basic Termination Payment payable in Yen with respect to any Termination Date shall be an amount, determined by reference to the Monthly Dates set forth in the table below and calculated by multiplying the appropriate percentage calculated as provided below by the Purchase Price for the applicable Locomotives and then converting to Yen at the Specified Yen Exchange Rate. The appropriate percentage shall be determined as follows:

(i) if the Termination Date occurs on a Monthly Date and such date is not a Rent Payment Date, the appropriate percentage shall be the percentage listed in Column B1 opposite such date;

(ii) if the Termination Date occurs on a Monthly Date and such date is a Rent Payment Date, the appropriate percentage shall be the percentage listed in Column B2 opposite such date (which percentage is equal to the sum of (x) the percentage listed in Column B1 opposite such date and (y) the portion of Basic Rent (expressed as a percentage of Purchase Price) due and payable in Yen on such Rent Payment Date as set forth in Schedule B, Exhibit 1 to the Lease);

(iii) if the Termination Date occurs on a date (other than a Monthly Date or a Rent Payment Date) in a Lease Period, (i.e., the period between Monthly Dates) the last day of which is a Rent Payment Date, the appropriate percentage shall be the percentage obtained by (w) subtracting the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column B1 from the percentage listed opposite the Monthly Date immediately following such Termination Date in Column B2, (x) dividing the difference computed in (w) above by the number of days from and including the Monthly Date immediately preceding such Termination Date to but excluding the Monthly Date immediately succeeding such Termination Date, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from and including the Monthly Date immediately preceding such Termination Date to but excluding such Termination Date, and (z) adding the product computed in (y) above to the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column B1; or

(iv) if the Termination Date occurs on a date other than a Monthly Date, a Rent Payment Date or a date specified in clause (iii) of this Paragraph B, the appropriate percentage shall be the percentage obtained by (w) subtracting the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column B1 from the percentage listed opposite the Monthly Date immediately following such Termination Date in Column B1, (x) dividing the difference computed in (w) above by the number of days from and including the Monthly Date immediately preceding such Termination Date to but excluding the Monthly Date immediately succeeding such Termination Date, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from and including the Monthly Date immediately preceding such Termination Date to but excluding such Termination Date and (z) adding the product computed in (y) above to the percentage listed opposite the Monthly Date immediately preceding such Termination Date in Column B1.

SCHEDULE B
EXHIBIT 2 TO THE
LEASE AGREEMENT

BASIC
TERMINATION
PAYMENTS

MONTHLY DATE	COLUMN A		COLUMN B	
	COLUMN A1 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN A2 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN B1 YEN AMOUNT (% OF PURCHASE PRICE)	COLUMN B2 YEN AMOUNT (% OF PURCHASE PRICE)
10 AUG 1989	80.000000	0.000000	13.937715	
10 SEP 1989	80.596667	0.000000	13.996899	
10 OCT 1989	81.193333	0.000000	14.056334	
10 NOV 1989	81.790000	0.000000	14.116022	
10 DEC 1989	82.386667	0.000000	14.175963	
10 JAN 1990	82.983333	0.000000	14.236159	
10 FEB 1990	80.000000	83.580000	12.339859	14.296611
10 MAR 1990	80.596667	0.000000	12.392258	
10 APR 1990	81.193333	0.000000	12.444880	
10 MAY 1990	81.790000	0.000000	12.497725	
10 JUN 1990	82.386667	0.000000	12.550794	
10 JUL 1990	82.983333	0.000000	12.604089	
10 AUG 1990	80.000000	83.580000	10.700859	12.657610
10 SEP 1990	80.596667	0.000000	10.746298	
10 OCT 1990	81.193333	0.000000	10.791930	
10 NOV 1990	81.790000	0.000000	10.837756	
10 DEC 1990	82.386667	0.000000	10.883777	
10 JAN 1991	82.983333	0.000000	10.929993	
10 FEB 1991	78.836411	83.580000	10.183242	10.976405
10 MAR 1991	79.424399	0.000000	10.226484	
10 APR 1991	80.012388	0.000000	10.269909	
10 MAY 1991	80.600376	0.000000	10.313518	
10 JUN 1991	81.188364	0.000000	10.357313	
10 JUL 1991	81.776352	0.000000	10.401293	
10 AUG 1991	76.827589	82.364341	10.445461	10.445461
10 SEP 1991	77.400595	0.000000	10.489816	
10 OCT 1991	77.973601	0.000000	10.534359	
10 NOV 1991	78.546606	0.000000	10.579091	
10 DEC 1991	79.119612	0.000000	10.624014	
10 JAN 1992	79.692618	0.000000	10.669127	
10 FEB 1992	74.728872	80.265624	10.714431	10.714431
10 MAR 1992	75.286225	0.000000	10.759928	
10 APR 1992	75.843578	0.000000	10.805619	
10 MAY 1992	76.400931	0.000000	10.851503	
10 JUN 1992	76.958283	0.000000	10.897582	
10 JUL 1992	77.515636	0.000000	10.943857	
10 AUG 1992	72.536238	78.072989	10.990328	10.990328

SCHEDULE B
EXHIBIT 2 TO THE
LEASE AGREEMENT

BASIC
TERMINATION
PAYMENTS

MONTHLY DATE	COLUMN A		COLUMN B	
	COLUMN A1 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN A2 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN B1 YEN AMOUNT (% OF PURCHASE PRICE)	COLUMN B2 YEN AMOUNT (% OF PURCHASE PRICE)
10 SEP 1992	73.077237	0.000000	11.036997	
10 OCT 1992	73.618236	0.000000	11.083863	
10 NOV 1992	74.159236	0.000000	11.130929	
10 DEC 1992	74.700235	0.000000	11.178195	
10 JAN 1993	75.241235	0.000000	11.225661	
10 FEB 1993	70.245483	75.782234	11.273329	11.273329
10 MAR 1993	70.769397	0.000000	11.321199	
10 APR 1993	71.293311	0.000000	11.369273	
10 MAY 1993	71.817225	0.000000	11.417550	
10 JUN 1993	72.341139	0.000000	11.466033	
10 JUL 1993	72.865054	0.000000	11.514722	
10 AUG 1993	67.852216	73.388968	11.563617	11.563617
10 SEP 1993	68.358281	0.000000	11.612720	
10 OCT 1993	68.864345	0.000000	11.662032	
10 NOV 1993	69.370410	0.000000	11.711552	
10 DEC 1993	69.876474	0.000000	11.761284	
10 JAN 1994	70.382539	0.000000	11.811226	
10 FEB 1994	65.351851	70.888603	11.861380	11.861380
10 MAR 1994	65.839267	0.000000	11.911748	
10 APR 1994	66.326683	0.000000	11.962329	
10 MAY 1994	66.814099	0.000000	12.013125	
10 JUN 1994	67.301515	0.000000	12.064137	
10 JUL 1994	67.788931	0.000000	12.115365	
10 AUG 1994	62.739595	68.276347	12.166811	12.166811
10 SEP 1994	63.207528	0.000000	12.218475	
10 OCT 1994	63.675461	0.000000	12.270359	
10 NOV 1994	64.143394	0.000000	12.322463	
10 DEC 1994	64.611326	0.000000	12.374788	
10 JAN 1995	65.079259	0.000000	12.427336	
10 FEB 1995	60.010441	65.547192	12.480106	12.480106
10 MAR 1995	60.458018	0.000000	12.533101	
10 APR 1995	60.905596	0.000000	12.586321	
10 MAY 1995	61.353174	0.000000	12.639766	
10 JUN 1995	61.800752	0.000000	12.693439	
10 JUL 1995	62.248330	0.000000	12.747339	
10 AUG 1995	57.159156	62.695908	12.801469	12.801469
10 SEP 1995	57.585468	0.000000	12.855828	

SCHEDULE B
EXHIBIT 2 TO THE
LEASE AGREEMENT

BASIC
TERMINATION
PAYMENTS

MONTHLY DATE	COLUMN A		COLUMN B	
	COLUMN A1 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN A2 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN B1 YEN AMOUNT (% OF PURCHASE PRICE)	COLUMN B2 YEN AMOUNT (% OF PURCHASE PRICE)
10 OCT 1995	58.011780	0.000000	12.910418	
10 NOV 1995	58.438092	0.000000	12.965240	
10 DEC 1995	58.864404	0.000000	13.020295	
10 JAN 1996	59.290716	0.000000	13.075583	
10 FEB 1996	54.180277	59.717028	13.131107	13.131107
10 MAR 1996	54.584371	0.000000	13.186866	
10 APR 1996	54.988466	0.000000	13.242862	
10 MAY 1996	55.392561	0.000000	13.299095	
10 JUN 1996	55.796655	0.000000	13.355568	
10 JUL 1996	56.200750	0.000000	13.412280	
10 AUG 1996	51.068093	56.604844	13.469233	13.469233
10 SEP 1996	51.448976	0.000000	13.526428	
10 OCT 1996	51.829858	0.000000	13.583865	
10 NOV 1996	52.210741	0.000000	13.641547	
10 DEC 1996	52.591624	0.000000	13.699473	
10 JAN 1997	52.972507	0.000000	13.757646	
10 FEB 1997	47.816638	53.353390	13.816065	13.816065
10 MAR 1997	48.173271	0.000000	13.874733	
10 APR 1997	48.529903	0.000000	13.933650	
10 MAY 1997	48.886536	0.000000	13.992817	
10 JUN 1997	49.243168	0.000000	14.052235	
10 JUL 1997	49.599800	0.000000	14.111905	
10 AUG 1997	44.419681	49.956433	14.171829	14.171829
10 SEP 1997	44.750978	0.000000	14.232007	
10 OCT 1997	45.082275	0.000000	14.292441	
10 NOV 1997	45.413572	0.000000	14.353132	
10 DEC 1997	45.744868	0.000000	14.414080	
10 JAN 1998	46.076165	0.000000	14.475287	
10 FEB 1998	40.870710	46.407462	14.536754	14.536754
10 MAR 1998	41.175538	0.000000	14.598482	
10 APR 1998	41.480365	0.000000	14.660472	
10 MAY 1998	41.785193	0.000000	14.722725	
10 JUN 1998	42.090020	0.000000	14.785242	
10 JUL 1998	42.394847	0.000000	14.848025	
10 AUG 1998	37.162923	42.699675	14.911075	14.911075
10 SEP 1998	37.440097	0.000000	14.974393	
10 OCT 1998	37.717270	0.000000	15.037979	

BASIC
TERMINATION
PAYMENTS

SCHEDULE B
EXHIBIT 2 TO THE
LEASE AGREEMENT

MONTHLY DATE	COLUMN A		COLUMN B	
	<----->		<----->	
	COLUMN A1 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN A2 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN B1 YEN AMOUNT (% OF PURCHASE PRICE)	COLUMN B2 YEN AMOUNT (% OF PURCHASE PRICE)
10 NOV 1998	37.994443	0.000000	15.101835	
10 DEC 1998	38.271617	0.000000	15.165962	
10 JAN 1999	38.548790	0.000000	15.230362	
10 FEB 1999	33.289212	38.825964	15.295035	15.295035
10 MAR 1999	33.537494	0.000000	15.359983	
10 APR 1999	33.785776	0.000000	15.425207	
10 MAY 1999	34.034058	0.000000	15.490707	
10 JUN 1999	34.282340	0.000000	15.556486	
10 JUL 1999	34.530623	0.000000	15.622544	
10 AUG 1999	29.401320	34.778905	15.529715	15.688882
10 SEP 1999	29.620605	0.000000	15.595660	
10 OCT 1999	29.839890	0.000000	15.661884	
10 NOV 1999	30.059175	0.000000	15.728390	
10 DEC 1999	30.278459	0.000000	15.795178	
10 JAN 2000	30.497744	0.000000	15.862249	
10 FEB 2000	27.002185	30.717029	14.107698	15.929606
10 MAR 2000	27.203577	0.000000	14.167604	
10 APR 2000	27.404968	0.000000	14.227764	
10 MAY 2000	27.606359	0.000000	14.288180	
10 JUN 2000	27.807751	0.000000	14.348852	
10 JUL 2000	28.009142	0.000000	14.409782	
10 AUG 2000	24.173574	28.210533	12.971179	14.470971
10 SEP 2000	24.353868	0.000000	13.026259	
10 OCT 2000	24.534163	0.000000	13.081573	
10 NOV 2000	24.714458	0.000000	13.137121	
10 DEC 2000	24.894752	0.000000	13.192906	
10 JAN 2001	25.075047	0.000000	13.248927	
10 FEB 2001	21.719810	25.255341	11.303967	13.305187
10 MAR 2001	21.881803	0.000000	11.351967	
10 APR 2001	22.043797	0.000000	11.400171	
10 MAY 2001	22.205790	0.000000	11.448580	
10 JUN 2001	22.367784	0.000000	11.497195	
10 JUL 2001	22.529777	0.000000	11.546016	
10 AUG 2001	18.905525	22.691771	9.844538	11.595044
10 SEP 2001	19.046529	0.000000	9.886341	
10 OCT 2001	19.187533	0.000000	9.928322	
10 NOV 2001	19.328537	0.000000	9.970481	

SCHEDULE B
EXHIBIT 2 TO THE
LEASE AGREEMENT

BASIC
TERMINATION
PAYMENTS

MONTHLY DATE	COLUMN A		COLUMN B	
	<----->		<----->	
	COLUMN A1 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN A2 US \$ AMOUNT (% OF PURCHASE PRICE)	COLUMN B1 YEN AMOUNT (% OF PURCHASE PRICE)	COLUMN B2 YEN AMOUNT (% OF PURCHASE PRICE)
-----	-----	-----	-----	-----
10 DEC 2001	19.469540	0.000000	10.012819	
10 JAN 2002	19.610544	0.000000	10.055336	
10 FEB 2002	16.405327	19.751548	7.907504	10.098035
10 MAR 2002	16.527684	0.000000	7.941082	
10 APR 2002	16.650040	0.000000	7.974802	
10 MAY 2002	16.772396	0.000000	8.008666	
10 JUN 2002	16.894753	0.000000	8.042673	
10 JUL 2002	17.017109	0.000000	8.076825	
10 AUG 2002	13.573232	17.139465	6.140603	8.111122
10 SEP 2002	13.674466	0.000000	6.166679	
10 OCT 2002	13.775700	0.000000	6.192865	
10 NOV 2002	13.876933	0.000000	6.219162	
10 DEC 2002	13.978167	0.000000	6.245570	
10 JAN 2003	14.079401	0.000000	6.272091	
10 FEB 2003	11.019597	14.180635	3.923011	6.298724
10 MAR 2003	11.101785	0.000000	3.939669	
10 APR 2003	11.183972	0.000000	3.956398	
10 MAY 2003	11.266160	0.000000	3.973198	
10 JUN 2003	11.348348	0.000000	3.990070	
10 JUL 2003	11.430536	0.000000	4.007013	
10 AUG 2003	0.000000	11.512724	0.000000	4.024028

EXHIBIT 3

SPECIAL TERMINATION PAYMENT (A)

The Special Termination Payment (A) to be made by lessee pursuant to Sections 11.2, 13.1(a), 13.1(c)(i)(A), 13.1(c)(ii), 13.1(d), 13.3(b), 13.4(a) or 17 of the Lease (x) shall be derived by computing the amount in accordance with the provisions of Paragraph A below, and (y) shall be paid in a lump sum on the date set for payment thereof pursuant to the appropriate section of the Lease.

A. Calculation of Special Termination Payment (A). In the event of a termination of the Lease pursuant to Sections 11.2, 13.1(a), 13.1(c)(i)(A), 13.1(c)(ii), 13.1(d), 13.3(b), 13.4(a) or 17 thereof, the Special Termination Payment (A) due and payable to Lessor as of the relevant Termination Date, shall be an amount determined by reference to the Monthly Date in the table below and calculated by multiplying the appropriate percentage from the table below by the Purchase Price for the applicable Locomotives, and then converting such amount to Yen at the Specified Yen Exchange Rate. The appropriate percentage shall be determined as follows:

(i) if the Termination Date occurs on a Monthly Date, the appropriate percentage shall be the percentage listed opposite such date in Column B1; or

(ii) if the Termination Date occurs on a date other than a Monthly Date the appropriate percentage shall be the percentage obtained by (w) subtracting the percentage listed opposite the Monthly Date immediately preceding such Termination Date from the percentage listed opposite the Monthly Date immediately following such Termination Date, (x) dividing the difference computed in (w) above by the number of days from and including the Monthly Date immediately preceding such Termination Date to but excluding the Monthly Date immediately succeeding such Termination Date, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from and including the Monthly Date immediately preceding such Termination Date to but excluding such Termination Date, and (z) adding the product computed in (y) above to the percentage listed opposite the Monthly Date immediately preceding such Termination Date.

SPECIAL TERMINATION PAYMENTS (A)

SCHEDULE B
EXHIBIT 3 TO THE
LEASE AGREEMENT

MONTHLY DATE	COLUMN B1 (% OF PURCHASE PRICE)
-----	-----
10 AUG 1989	7.562285
10 SEP 1989	7.699173
10 OCT 1989	7.836626
10 NOV 1989	7.974647
10 DEC 1989	8.113239
10 JAN 1990	8.252403
10 FEB 1990	8.392143
10 MAR 1990	8.522924
10 APR 1990	7.929622
10 MAY 1990	8.051304
10 JUN 1990	8.119255
10 JUL 1990	8.187484
10 AUG 1990	8.255993
10 SEP 1990	8.316232
10 OCT 1990	8.376718
10 NOV 1990	8.437452
10 DEC 1990	8.472649
10 JAN 1991	8.507989
10 FEB 1991	8.543473
10 MAR 1991	8.575634
10 APR 1991	8.607926
10 MAY 1991	8.640349
10 JUN 1991	8.642660
10 JUL 1991	8.644978
10 AUG 1991	8.647301
10 SEP 1991	8.649631
10 OCT 1991	8.651967
10 NOV 1991	8.654309
10 DEC 1991	8.628642
10 JAN 1992	8.602865
10 FEB 1992	8.576977
10 MAR 1992	8.550977
10 APR 1992	8.524865
10 MAY 1992	8.498641
10 JUN 1992	8.459213
10 JUL 1992	8.419616
10 AUG 1992	8.379851
10 SEP 1992	8.339916
10 OCT 1992	8.299812
10 NOV 1992	8.259536
10 DEC 1992	8.206090

SPECIAL TERMINATION PAYMENTS (A)

SCHEDULE B
EXHIBIT 3 TO THE
LEASE AGREEMENT

MONTHLY DATE	COLUMN B1 (% OF PURCHASE PRICE)
-----	-----
10 JAN 1993	8.152431
10 FEB 1993	8.098560
10 MAR 1993	8.044474
10 APR 1993	7.990173
10 MAY 1993	7.935657
10 JUN 1993	7.877507
10 JUL 1993	7.819134
10 AUG 1993	7.760535
10 SEP 1993	7.701711
10 OCT 1993	7.642660
10 NOV 1993	7.583381
10 DEC 1993	7.517542
10 JAN 1994	7.451461
10 FEB 1994	7.385137
10 MAR 1994	7.318570
10 APR 1994	7.251759
10 MAY 1994	7.184703
10 JUN 1994	7.116012
10 JUL 1994	7.047071
10 AUG 1994	6.977880
10 SEP 1994	6.908437
10 OCT 1994	6.838741
10 NOV 1994	6.768791
10 DEC 1994	6.694727
10 JAN 1995	6.620399
10 FEB 1995	6.545807
10 MAR 1995	6.470950
10 APR 1995	6.395828
10 MAY 1995	6.320438
10 JUN 1995	6.245162
10 JUL 1995	6.169619
10 AUG 1995	6.093805
10 SEP 1995	6.017721
10 OCT 1995	5.941366
10 NOV 1995	5.864738
10 DEC 1995	5.786097
10 JAN 1996	5.707179
10 FEB 1996	5.627981
10 MAR 1996	5.548503
10 APR 1996	5.468744
10 MAY 1996	5.388703

SPECIAL TERMINATION PAYMENTS (A)

SCHEDULE B
EXHIBIT 3 TO THE
LEASE AGREEMENT

MONTHLY DATE	COLUMN B1 (% OF PURCHASE PRICE)
-----	-----
10 JUN 1996	5.310334
10 JUL 1996	5.231685
10 AUG 1996	5.152755
10 SEP 1996	5.073541
10 OCT 1996	4.994043
10 NOV 1996	4.914259
10 DEC 1996	4.834298
10 JAN 1997	4.754050
10 FEB 1997	4.673514
10 MAR 1997	4.592688
10 APR 1997	4.511571
10 MAY 1997	4.430162
10 JUN 1997	4.351845
10 JUL 1997	4.273240
10 AUG 1997	4.194346
10 SEP 1997	4.115162
10 OCT 1997	4.035687
10 NOV 1997	3.955920
10 DEC 1997	3.877606
10 JAN 1998	3.799000
10 FEB 1998	3.720102
10 MAR 1998	3.640910
10 APR 1998	3.561423
10 MAY 1998	3.481641
10 JUN 1998	3.406267
10 JUL 1998	3.330604
10 AUG 1998	3.254650
10 SEP 1998	3.178404
10 OCT 1998	3.101865
10 NOV 1998	3.025032
10 DEC 1998	2.951130
10 JAN 1999	2.876937
10 FEB 1999	2.802452
10 MAR 1999	2.727674
10 APR 1999	2.652602
10 MAY 1999	2.577235
10 JUN 1999	2.507529
10 JUL 1999	2.437536
10 AUG 1999	2.367256
10 SEP 1999	2.296745
10 OCT 1999	2.225945

SPECIAL TERMINATION PAYMENTS (A)

SCHEDULE B
EXHIBIT 3 TO THE
LEASE AGREEMENT

MONTHLY DATE	COLUMN B1 (% OF PURCHASE PRICE)
-----	-----
10 NOV 1999	2.154856
10 DEC 1999	2.088068
10 JAN 2000	2.020997
10 FEB 2000	1.953640
10 MAR 2000	1.886670
10 APR 2000	1.819431
10 MAY 2000	1.751924
10 JUN 2000	1.691252
10 JUL 2000	1.630322
10 AUG 2000	1.569133
10 SEP 2000	1.508238
10 OCT 2000	1.447097
10 NOV 2000	1.385711
10 DEC 2000	1.329927
10 JAN 2001	1.273905
10 FEB 2001	1.217646
10 MAR 2001	1.161886
10 APR 2001	1.105907
10 MAY 2001	1.049709
10 JUN 2001	1.001095
10 JUL 2001	0.952274
10 AUG 2001	0.903245
10 SEP 2001	0.854655
10 OCT 2001	0.805873
10 NOV 2001	0.756901
10 DEC 2001	0.714563
10 JAN 2002	0.672045
10 FEB 2002	0.629347
10 MAR 2002	0.587275
10 APR 2002	0.545045
10 MAY 2002	0.502655
10 JUN 2002	0.468648
10 JUL 2002	0.434496
10 AUG 2002	0.400199
10 SEP 2002	0.366483
10 OCT 2002	0.332642
10 NOV 2002	0.298675
10 DEC 2002	0.272267
10 JAN 2003	0.245746
10 FEB 2003	0.219112
10 MAR 2003	0.193242

SPECIAL TERMINATION PAYMENTS (A)

SCHEDULE B
EXHIBIT 3 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	COLUMN B1 (% OF PURCHASE PRICE) -----
10 APR 2003	0.167284
10 MAY 2003	0.141237
10 JUN 2003	0.124365
10 JUL 2003	0.107422
10 AUG 2003	0.000000

EXHIBIT 4

SPECIAL TERMINATION PAYMENT (B)

The Special Termination Payment (B) to be made by lessee pursuant to Sections 13.1(c)(i)(B), 13.3(a)(i) or 13.4(c) of the Lease (x) shall be derived by computing the amount in accordance with the provisions of Paragraph A below, and (y) shall be paid in a lump sum on the date set for payment thereof pursuant to the appropriate section of the Lease.

A. Calculation of Special Termination Payment (B). In the event of a termination of the Lease pursuant to Sections 13.1(c)(i)(B), 13.3(a)(i) or 13.4(c), thereof, the Special Termination Payment (B) due and payable to Lessor as of the relevant Termination Date, shall be an amount determined by reference to the Monthly Date in the table below and calculated by multiplying the appropriate percentage from the table below by the Purchase Price for the applicable Locomotives, and then converting such amount to Yen at the Specified Yen Exchange Rate. The appropriate percentage shall be determined as follows:

(i) if the Termination Date occurs on a Monthly Date, the appropriate percentage shall be the percentage listed opposite such date in Column B1; or

(ii) if the Termination Date occurs on a date other than a Monthly Date the appropriate percentage shall be the percentage obtained by (w) subtracting the percentage listed opposite the Monthly Date immediately preceding such Termination Date from the percentage listed opposite the Monthly Date immediately following such Termination Date, (x) dividing the difference computed in (w) above by the number of days from and including the Monthly Date immediately preceding such Termination Date to but excluding the Monthly Date immediately succeeding such Termination Date, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from and including the Monthly Date immediately preceding such Termination Date to but excluding such Termination Date, and (z) adding the product computed in (y) above to the percentage listed opposite the Monthly Date immediately preceding such Termination Date.

SPECIAL TERMINATION PAYMENTS (B)

SCHEDULE B
EXHIBIT 4 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	COLUMN B1 (% OF PURCHASE PRICE) -----
10 AUG 1989	7.562285
10 SEP 1989	7.616874
10 OCT 1989	7.671486
10 NOV 1989	7.726122
10 DEC 1989	7.780780
10 JAN 1990	7.835461
10 FEB 1990	7.890164
10 MAR 1990	7.942844
10 APR 1990	7.307243
10 MAY 1990	7.354164
10 JUN 1990	7.369632
10 JUL 1990	7.385040
10 AUG 1990	7.400388
10 SEP 1990	7.414201
10 OCT 1990	7.427964
10 NOV 1990	7.441677
10 DEC 1990	7.440376
10 JAN 1991	7.438988
10 FEB 1991	7.437512
10 MAR 1991	7.435350
10 APR 1991	7.433104
10 MAY 1991	7.430772
10 JUN 1991	7.410807
10 JUL 1991	7.390713
10 AUG 1991	7.370490
10 SEP 1991	7.350137
10 OCT 1991	7.329654
10 NOV 1991	7.309040
10 DEC 1991	7.272038
10 JAN 1992	7.234865
10 FEB 1992	7.197520
10 MAR 1992	7.160001
10 APR 1992	7.122308
10 MAY 1992	7.084441
10 JUN 1992	7.038802
10 JUL 1992	6.992968
10 AUG 1992	6.946939
10 SEP 1992	6.900713
10 OCT 1992	6.854290
10 NOV 1992	6.807670

SPECIAL TERMINATION PAYMENTS (B)

SCHEDULE B
EXHIBIT 4 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	COLUMN B1 (% OF PURCHASE PRICE) -----
10 DEC 1992	6.751501
10 JAN 1993	6.695115
10 FEB 1993	6.638511
10 MAR 1993	6.581688
10 APR 1993	6.524644
10 MAY 1993	6.467380
10 JUN 1993	6.406477
10 JUL 1993	6.345346
10 AUG 1993	6.283984
10 SEP 1993	6.222391
10 OCT 1993	6.160567
10 NOV 1993	6.098509
10 DEC 1993	6.029885
10 JAN 1994	5.961015
10 FEB 1994	5.891897
10 MAR 1994	5.822530
10 APR 1994	5.752914
10 MAY 1994	5.683047
10 JUN 1994	5.611541
10 JUL 1994	5.539779
10 AUG 1994	5.467762
10 SEP 1994	5.395487
10 OCT 1994	5.322955
10 NOV 1994	5.250163
10 DEC 1994	5.173251
10 JAN 1995	5.096070
10 FEB 1995	5.018620
10 MAR 1995	4.940900
10 APR 1995	4.862908
10 MAY 1995	4.784644
10 JUN 1995	4.706489
10 JUL 1995	4.628060
10 AUG 1995	4.549357
10 SEP 1995	4.470377
10 OCT 1995	4.391121
10 NOV 1995	4.311586
10 DEC 1995	4.230033
10 JAN 1996	4.148197
10 FEB 1996	4.066076
10 MAR 1996	3.983669

SPECIAL TERMINATION PAYMENTS (B)

SCHEDULE B
EXHIBIT 4 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	COLUMN B1 (% OF PURCHASE PRICE) -----
10 APR 1996	3.900976
10 MAY 1996	3.817995
10 JUN 1996	3.736682
10 JUL 1996	3.655082
10 AUG 1996	3.573195
10 SEP 1996	3.491020
10 OCT 1996	3.408554
10 NOV 1996	3.325798
10 DEC 1996	3.242859
10 JAN 1997	3.159627
10 FEB 1997	3.076101
10 MAR 1997	2.992280
10 APR 1997	2.908162
10 MAY 1997	2.823747
10 JUN 1997	2.742418
10 JUL 1997	2.660795
10 AUG 1997	2.578878
10 SEP 1997	2.496665
10 OCT 1997	2.414156
10 NOV 1997	2.331348
10 DEC 1997	2.249987
10 JAN 1998	2.168330
10 FEB 1998	2.086374
10 MAR 1998	2.004119
10 APR 1998	1.921564
10 MAY 1998	1.838706
10 JUN 1998	1.760252
10 JUL 1998	1.681503
10 AUG 1998	1.602457
10 SEP 1998	1.523113
10 OCT 1998	1.443470
10 NOV 1998	1.363527
10 DEC 1998	1.286510
10 JAN 1999	1.209196
10 FEB 1999	1.131584
10 MAR 1999	1.053673
10 APR 1999	0.975463
10 MAY 1999	0.896951
10 JUN 1999	0.824094
10 JUL 1999	0.750945

SPECIAL TERMINATION PAYMENTS (B)

SCHEDULE B
EXHIBIT 4 TO THE
LEASE AGREEMENT

MONTHLY DATE	COLUMN B1 (% OF PURCHASE PRICE)
-----	-----
10 AUG 1999	0.677502
10 SEP 1999	0.603823
10 OCT 1999	0.529849
10 NOV 1999	0.455580
10 DEC 1999	0.385606
10 JAN 2000	0.315342
10 FEB 2000	0.244788
10 MAR 2000	0.174613
10 APR 2000	0.104165
10 MAY 2000	0.033442
10 JUN 2000	0.000000
10 JUL 2000	0.000000
10 AUG 2000	0.000000
10 SEP 2000	0.000000
10 OCT 2000	0.000000
10 NOV 2000	0.000000
10 DEC 2000	0.000000
10 JAN 2001	0.000000
10 FEB 2001	0.000000
10 MAR 2001	0.000000
10 APR 2001	0.000000
10 MAY 2001	0.000000
10 JUN 2001	0.000000
10 JUL 2001	0.000000
10 AUG 2001	0.000000
10 SEP 2001	0.000000
10 OCT 2001	0.000000
10 NOV 2001	0.000000
10 DEC 2001	0.000000
10 JAN 2002	0.000000
10 FEB 2002	0.000000
10 MAR 2002	0.000000
10 APR 2002	0.000000
10 MAY 2002	0.000000
10 JUN 2002	0.000000
10 JUL 2002	0.000000
10 AUG 2002	0.000000
10 SEP 2002	0.000000
10 OCT 2002	0.000000
10 NOV 2002	0.000000

SPECIAL TERMINATION PAYMENTS (B)

SCHEDULE B
EXHIBIT 4 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	COLUMN B1 (% OF PURCHASE PRICE) -----
10 DEC 2002	0.000000
10 JAN 2003	0.000000
10 FEB 2003	0.000000
10 MAR 2003	0.000000
10 APR 2003	0.000000
10 MAY 2003	0.000000
10 JUN 2003	0.000000
10 JUL 2003	0.000000
10 AUG 2003	0.000000

EXHIBIT 5

SPECIAL TERMINATION PAYMENT (C)

Upon termination of the lease under the Lease Agreement pursuant to Sections 13.1(b), 13.2, 13.3(a)(ii), 13.3(a)(iii) or 13.4(b), the Special Termination Payment (C) shall be payable by Lessee on the applicable Termination Date in Yen.

SPECIAL TERMINATION PAYMENTS (C)

SCHEDULE B
EXHIBIT 5 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	(% OF PURCHASE PRICE) -----
10 AUG 1989	0.000000
10 SEP 1989	0.000000
10 OCT 1989	0.000000
10 NOV 1989	0.000000
10 DEC 1989	0.000000
10 JAN 1990	0.000000
10 FEB 1990	0.000000
10 MAR 1990	0.000000
10 APR 1990	0.000000
10 MAY 1990	0.000000
10 JUN 1990	0.000000
10 JUL 1990	0.000000
10 AUG 1990	0.000000
10 SEP 1990	0.000000
10 OCT 1990	0.000000
10 NOV 1990	0.000000
10 DEC 1990	0.000000
10 JAN 1991	0.000000
10 FEB 1991	0.000000
10 MAR 1991	0.000000
10 APR 1991	0.000000
10 MAY 1991	0.000000
10 JUN 1991	0.000000
10 JUL 1991	0.000000
10 AUG 1991	0.000000
10 SEP 1991	0.000000
10 OCT 1991	0.000000
10 NOV 1991	0.000000
10 DEC 1991	0.000000
10 JAN 1992	0.000000
10 FEB 1992	0.000000
10 MAR 1992	0.000000
10 APR 1992	0.000000
10 MAY 1992	0.000000
10 JUN 1992	0.000000
10 JUL 1992	0.000000
10 AUG 1992	0.000000
10 SEP 1992	0.000000
10 OCT 1992	0.000000
10 NOV 1992	0.000000
10 DEC 1992	0.000000

SPECIAL TERMINATION PAYMENTS (C)

SCHEDULE B
EXHIBIT 5 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	(% OF PURCHASE PRICE) -----
10 JAN 1993	0.000000
10 FEB 1993	0.000000
10 MAR 1993	0.000000
10 APR 1993	0.000000
10 MAY 1993	0.000000
10 JUN 1993	0.000000
10 JUL 1993	0.000000
10 AUG 1993	0.000000
10 SEP 1993	0.000000
10 OCT 1993	0.000000
10 NOV 1993	0.000000
10 DEC 1993	0.000000
10 JAN 1994	0.000000
10 FEB 1994	0.000000
10 MAR 1994	0.000000
10 APR 1994	0.000000
10 MAY 1994	0.000000
10 JUN 1994	0.000000
10 JUL 1994	0.000000
10 AUG 1994	0.000000
10 SEP 1994	0.000000
10 OCT 1994	0.000000
10 NOV 1994	0.000000
10 DEC 1994	0.000000
10 JAN 1995	0.000000
10 FEB 1995	0.000000
10 MAR 1995	0.000000
10 APR 1995	0.000000
10 MAY 1995	0.000000
10 JUN 1995	0.000000
10 JUL 1995	0.000000
10 AUG 1995	0.000000
10 SEP 1995	0.000000
10 OCT 1995	0.000000
10 NOV 1995	0.000000
10 DEC 1995	0.000000
10 JAN 1996	0.000000
10 FEB 1996	0.000000
10 MAR 1996	0.000000
10 APR 1996	0.000000
10 MAY 1996	0.000000

SPECIAL TERMINATION PAYMENTS (C)

SCHEDULE B
EXHIBIT 5 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	(% OF PURCHASE PRICE) -----
10 JUN 1996	0.000000
10 JUL 1996	0.000000
10 AUG 1996	0.000000
10 SEP 1996	0.000000
10 OCT 1996	0.000000
10 NOV 1996	0.000000
10 DEC 1996	0.000000
10 JAN 1997	0.000000
10 FEB 1997	0.000000
10 MAR 1997	0.000000
10 APR 1997	0.000000
10 MAY 1997	0.000000
10 JUN 1997	0.000000
10 JUL 1997	0.000000
10 AUG 1997	0.000000
10 SEP 1997	0.000000
10 OCT 1997	0.000000
10 NOV 1997	0.000000
10 DEC 1997	0.000000
10 JAN 1998	0.000000
10 FEB 1998	0.000000
10 MAR 1998	0.000000
10 APR 1998	0.000000
10 MAY 1998	0.000000
10 JUN 1998	0.000000
10 JUL 1998	0.000000
10 AUG 1998	0.000000
10 SEP 1998	0.000000
10 OCT 1998	0.000000
10 NOV 1998	0.000000
10 DEC 1998	0.000000
10 JAN 1999	0.000000
10 FEB 1999	0.000000
10 MAR 1999	0.000000
10 APR 1999	0.000000
10 MAY 1999	0.000000
10 JUN 1999	0.000000
10 JUL 1999	0.000000
10 AUG 1999	0.000000
10 SEP 1999	0.000000
10 OCT 1999	0.000000

SPECIAL TERMINATION PAYMENTS (C)

SCHEDULE B
EXHIBIT 5 TO THE
LEASE AGREEMENT

MONTHLY DATE	(% OF PURCHASE PRICE)
-----	-----
10 NOV 1999	0.000000
10 DEC 1999	0.000000
10 JAN 2000	0.000000
10 FEB 2000	0.000000
10 MAR 2000	0.000000
10 APR 2000	0.000000
10 MAY 2000	0.000000
10 JUN 2000	0.000000
10 JUL 2000	0.000000
10 AUG 2000	0.000000
10 SEP 2000	0.000000
10 OCT 2000	0.000000
10 NOV 2000	0.000000
10 DEC 2000	0.000000
10 JAN 2001	0.000000
10 FEB 2001	0.000000
10 MAR 2001	0.000000
10 APR 2001	0.000000
10 MAY 2001	0.000000
10 JUN 2001	0.000000
10 JUL 2001	0.000000
10 AUG 2001	0.000000
10 SEP 2001	0.000000
10 OCT 2001	0.000000
10 NOV 2001	0.000000
10 DEC 2001	0.000000
10 JAN 2002	0.000000
10 FEB 2002	0.000000
10 MAR 2002	0.000000
10 APR 2002	0.000000
10 MAY 2002	0.000000
10 JUN 2002	0.000000
10 JUL 2002	0.000000
10 AUG 2002	0.000000
10 SEP 2002	0.000000
10 OCT 2002	0.000000
10 NOV 2002	0.000000
10 DEC 2002	0.000000
10 JAN 2003	0.000000
10 FEB 2003	0.000000
10 MAR 2003	0.000000

SPECIAL TERMINATION PAYMENTS (C)

SCHEDULE B
EXHIBIT 5 TO THE
LEASE AGREEMENT

MONTHLY DATE -----	(% OF PURCHASE PRICE) -----
10 APR 2003	0.000000
10 MAY 2003	0.000000
10 JUN 2003	0.000000
10 JUL 2003	0.000000
10 AUG 2003	0.000000

EXHIBIT 6

END-OF-TERM PURCHASE PRICE

If Lessee exercises its option to purchase all of the Locomotives under Section 14.1 of the Lease Agreement, the End-of-Term Purchase Price payable on the Final Rent Payment Date shall be U.S. \$6,503,405.

EXHIBIT 7

DEFICIENCY PAYMENT

If Lessee does not exercise its option to purchase all of the Locomotives under Section 14.2 of the Lease Agreement, the Deficiency Payment payable on the Final Rent Payment Date shall be U.S. \$6,503,405.